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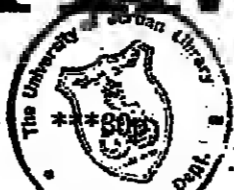
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NEWS SUMMARY

GENERAL

Britain gains from EEC budget

Britain last year gained more from the European Community budget than it paid in, for the first time since joining the EEC in 1973.

The surplus was worth about £18m, according to figures from the European Commission. Back Page.

Asian shot dead

A man and a woman were assisting police after a five-hour siege of a Southampton flat. Earlier Eborian Mohamed Jwan, a Ugandan Asian, was shot dead and his wife shot and injured. Mr Jwan had offered gold for sale.

Spanish grenades

Suspected Basque guerrillas lobbed three hand-grenades into a Civil Guard barracks near San Sebastian. Madrid calls troops. Page 3.

Sinai moves

Israeli troops started the final evacuation of Jewish settlers from Sinai although the removal of those in Yamit still has to begin. Page 4.

Minister guilty

Israeli welfare minister Aharon Abutzhaira was convicted of fraud, breach of trust and larceny.

Dublin charges

Four men arrested in the Irish Republic after a weekend terrorist murder were charged in Dublin's Special Criminal Court with possessing explosives.

Sub ban sought

Irish fishermen urged Premier Haughey to demand a ban on all submarines entering fishing grounds between Britain and Ireland after the loss of a £200,000 trawler.

University costs

An extra 20,000 UK parents will be expected to contribute next year to supporting their children on university degree courses. Page 12.

Tax investigation

Six employees of Daimler-Benz's export division are under investigation by Stuttgart's prosecutor, for tax evasion and fraud connected with truck sales to the Middle East.

Civil Service pay

The Government swept aside a 13 per cent pay claim by white-collar civil servants. Page 11. Backbench demand for better public-spending audit. Page 12.

Brandt SPD plea

West Germany's SPD leader Willy Brandt urged the party to back Nato's "arm and negotiate" decision on nuclear missiles. Page 18.

Ayatollah arrested

Ayatollah Kazem Shariat-Madari, once considered head of Iran's Shiite clergy, was arrested. Guerrilla offensive. Page 4.

Pollution war

A fleet of eight aircraft will stand by to fight oil pollution off the coast at a cost of £780,000 a year. Page 9.

Briefly...

Hong Kong governor Sir Murray Maclehoze is in a satisfactory condition following a mild stroke.

The Paralympic Games at Stoke Mandeville on July 25 will be opened by Prince Charles.

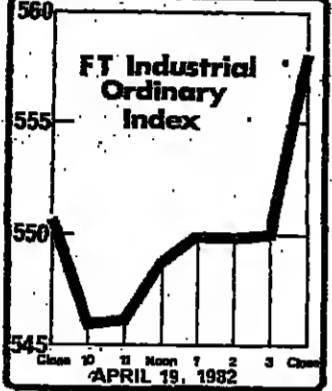
Britain Salutes New York Festival, in the U.S. city in summer 1983, will be backed by at least £2.5m (£1.4m) raised by UK and U.S. companies.

Cameroun's port city of Victoria was renamed Nimbe.

BUSINESS

Equities up 7.4 on low trading

● **EQUITIES:** Trading was at a low ebb, but improved in late dealing on news of an Argentine peace plan. The FT 30-share index closed 7.4 up at 558.1. Page 37.



● **GILTS:** The Government Securities Index gained 0.56 to 67.96. Page 37.

● **WALL STREET** was 6.09 up at \$49.51 near the close. Page 36.

● **STERLING** rose 50 points to close at \$1.766 in London and to FF 111 (FF 11.095). It slipped to Y434.5 (Y436.5), and was unchanged at DM 4.2675 and SwFr 3.48. Its trade-weighted index was 89.9 (90.5). Page 38.

● **DOLLAR** fell to DM 2.4155 (DM 2.4215), FF 6.235 (FF 6.3), SwFr 1.9675 (SwFr 1.976) and Y245.3 (Y247.7). Its trade-weighted index was 115.9 (116.3). Page 38.

● **GOLD** fell \$14.5 to \$348 in London and gold futures trading made a promising start with a turnover of more than 2,300 lots of 100 troy each—a total paper value of about \$40m. The August position (the first month traded) closed at \$294.5. Back Page and Page 35.

● **WEST GERMANY** received almost a quarter of its DM 4bn (€300m) investment from Britain last year, a sharp increase. Page 2.

● **IMF** has cut off more than a quarter of the \$18.4bn (£10.2bn) loans it was due to make this year because borrowing countries have failed to meet economic performance targets. Back Page.

● **RETAIL SALES** in the UK rose 0.8 per cent last month compared with February. Back Page.

● **BL's** annual report shows that chairman Sir Michael Edwards was paid £85,500 last year. Page 3.

● **PUBLIC SECTOR** pay bill's real value will be cut by 4 per cent this year under a Government plan. Back Page.

● **COMPANY BORROWING** increased sharply in the last three months of 1981 to bring total borrowing in the second half to £5.6bn, compared with repayments of £1.2bn in the first half. Back Page.

● **BRITISH STEEL** Corporation said it expects losses of about £20m more than its £18m forecast for the financial year ended last month. Page 12.

● **NORSK DATA**, the Norwegian computer maker, raised pre-tax profits 58 per cent last year to Nkr40.7m (\$6.7m). Page 33.

● **JOHN MENZIES** bid \$5.64m for Lonsdale Universal, the office equipment group, following a "dawn raid." Page 22.

● **SPEEDWELL GEAR CASE** has had a £192,000 counterbid from Lathkil Securities, following a £144,000 offer from Astra Industrial Group. Page 34.

● **CURRY'S GROUP** reported that taxable profits fell by £1m to £11.27m for the year to January 27. Page 20, Lex Back Page.

● **EIS GROUP**, the engineer, increased taxable profits last year to £2.82m (£2.21m). Page 20.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISER	FALLS
Treas 12pc 1982-83	299 1/2
BAT Inds	418 + 15
Beecham	218 + 6
Channel Tunnel	145 + 13
Finsons	307 + 53
GEC	817 + 11
Glaxo	603 + 11
Grindlays	178 + 12
ICI	320 + 8
Land Securities	264 + 6
Lawrence (Walter)	188 + 10
Lee Refrigerator	218 1/2 + 12
Leedsdale Universal	66 + 24
Plessey	373 + 6
Racal Elect	393 + 5
Redland	198 + 2
Royal Bk Scotland	104 + 6
Solihby PB	300 + 15
Sound Diffusion	104 + 13
Speedwell Gr Case	20 + 6
Standard Telephones	522 + 14
Tate of Leeds	53 + 5
Tomatin	47 + 4
BP	306 + 14
Global Nat Res	510 + 105
Shell Transport	386 + 8
Wetnam	38 + 3
RTZ	432 + 8
Hanson Trust	141 + 5
Driefontein	104 + 1
East Rand Prop	454 + 16
Impala	240 + 10

Argentines hope UK will accept plan for 'peaceful' settlement

BY ANDREW WHITLEY AND JIMMY BURNS IN BUENOS AIRES

ARGENTINA's military government yesterday appeared to have bowed to intense U.S. pressure to accept a peaceful settlement of the Falklands dispute on terms which it believed might be acceptable in London.

Mr Alexander Haig, the U.S. Secretary of State, ended a four-day marathon of talks with the ruling junta and was due to leave Buenos Aires yesterday.

His initial destination was expected to be Washington, not London as earlier expected by U.S. officials.

A spokesman for Argentine President Leopoldo Galtieri said Mr Haig was carrying a document "which contains a series of ideas for the possible solution to the dispute."

The key issue of sovereignty over the disputed islands is believed to have been deferred for future talks, possibly under the umbrella of the UN.

However, the Argentine Government may well want to make a public distinction between de facto and de jure sovereignty to appease a domestic populace said to be anxious to retain control over the Falklands at all costs.

On the basis of the points discussed yesterday, through an apparent leak it would seem that Argentina has made a number of major concessions from the initial refusal to withdraw forces until she received formal recognition of the claim to rights over the islands.

In the absence of any formal condemnation of the final Argentine position it remains hard to judge whether the document Falklands news, Page 4 Navy ships 'keep good speeds' Page 3 Pym statement, Page 12

thought to be in Mr Haig's pocket will be acceptable to Mrs Margaret Thatcher.

But it would seem that Argentina has gone some way to meeting Britain's position, and thus averting the imminent danger of war.

With the round-the-clock talks at the Argentine Presidential Palace hovering several times on the brink of failure, the logjam appears to have been cleared by an Argentine counter-proposal delivered to the US mediation team late on Sunday.

Official confirmation of its exact terms was still being awaited yesterday.

Significantly, U.S. Embassy Press staff circulated an English language transcript of what was said to be the proposal leaked to the usually well-informed mass circulation newspaper Clarin.

According to the report Argentina has agreed in principle to formation of a dual government on the island composed of British and Argentine officials: Argentine troops would be withdrawn behind a 400-mile ring round the Falklands, an area which would include part of the Patagonian coastline and the Argentine air and naval bases there.

The issue of sovereignty, which has been one of the main sticking points throughout the negotiations, would be the subject of further negotiations within the framework of the UN.

U.S. diplomats were expressing "cautious optimism" that a

Continued on Back Page

Spadolini Government on the verge of collapse

BY RUPERT CORNWELL IN ROME

ITALY'S 10-month-old Government was last night on the verge of collapse, amid a blazing row over demands from the Socialists, key members of the five-party coalition, for the resignation of Sig Nino Andreatta, the Christian Democrat Treasury Minister.

The Socialists announced that their ministers would refuse to take part in a Cabinet meeting yesterday afternoon, unless the Andreatta question was first resolved. In an attempt to buy time for mediation, Sig Giovanni Spadolini, the Prime Minister, postponed the session until this morning.

Even so, the feud between Christian Democrats and Socialists now appears to have passed the point of no return. Sig Andreatta yesterday indicated that he did not intend to step aside, and Italy's 42nd post-war Government crisis may come within a matter of days.

The dispute between the two parties, the latest in a crescendo of argument in recent weeks,

stems from remarks made by Sig Andreatta at the weekend to a local Christian Democrat meeting in the north Italian city of Modena.

Not only did he suggest that the Socialists might lead Italy to "National Socialism" if they took votes from the Christian Democrats, but he also appeared to attack the Prime Minister. A

hasty denial, and the claim that he meant "Socialist Nationalism" were too little and too late to repair the damage.

The fall of the Government—the first controlled by a non-Christian Democrat in 36 years—would almost certainly pave the way for early general elections.

The economy would be the main victim of a crisis—or even of a change of treasury minister. Failure to pass the Budget and Finance Bill—bogged down after a "summer" discussion in Parliament and the accompanying lack of policy, would add to the severe economic difficulties.

Late on Sunday night the Bank of Italy announced a further tightening of currency regulations, to reduce the already narrow margins for "leads and lags" speculation by importers and exporters against the lira, and to close any possibility of early repayment of foreign earnings ahead of a currency devaluation.

The measures followed publication of a £2,038bn (\$1,533bn) balance of payments deficit for March, bringing the overall deficit for the first quarter to £3,433bn, fractionally higher than in the same period of 1981.

Although the packages aim to shelter the lira as much as possible from the pressures within the European Monetary System its timing may also have been influenced by the deterioration of the political situation.

The constitution dictates that the national budget must be passed by April 30. If it is not, then the country's finances come to a virtual halt.

GEC wins S. African contract

BY BERNARD SIMON IN JOHANNESBURG AND RAY MAUGHAN

GEC Turbine Generators, a subsidiary of the British electrical group's power engineering division, has won a £250m contract to build six 600 Mw turbine generators for the Electricity Supply Commission of South Africa.

The contract was won in competition against both General Electric and Westinghouse of the U.S., Northern Engineering Industries of the UK, Toshiba of Japan, Brown Boveri of Switzerland, and Kraftwerk-Union and MAN of West Germany.

Mr Robert Davidson, managing director of GEC Turbine Generators said yesterday that the company's order book amounted to £1.3bn before the latest contract. GEC claims some 80 per cent of the turbine generator market in South Africa.

The new plant will be installed at Power Station D which is between Volksrust and Amersfoort near the coal fields in South East Transvaal.

GEC has already completed or is still fulfilling orders worth some £400m for the South African Electricity Commission (ESCOM) at the Dhuva and Tutuka power stations.

The latest contract will be carried out at GEC Turbine Generators' four UK factories, at Rugby (high and intermediate pressure turbines), Stafford (generators), Trafford Park, Manchester (low pressure turbines) and Larne, Northern Ireland (large steel fabrications).

Mr Davidson said that the contract would not entail any labour recruitment at the four sites although the increased workload would "secure jobs for the future."

being arranged by the London merchant bank, Hill Samuel. What the bank described as a "compact" Eurodollar loan syndicate will finance \$300m (£113m) of the cost and the Export Credits Guarantee Department has backed a \$300m (£170m) buyer-credit which will reach final maturity in 2001.

The bank arranged a similar financing package for GEC's earlier South African generator contracts and banded the \$400m loan for the boiler contract on Power Station C for ESCOM, which was awarded to Combustion Engineering.

ESCOM is one of the world's largest customers for power station equipment. It has six 3,600 Mw power stations under construction at a total cost of over R10bn (£5.4bn) and is estimated to account for a quarter of the total market in power station boilers.

Finance for the project is

Britain cautious about reports

By Peter Riddell, Political Editor

THE BRITISH Government reacted cautiously last night to reports from Buenos Aires of a possible compromise settlement to the Falklands crisis.

The immediate response in Whitehall was a desire to see the full details before showing optimism about the outcome. In particular to see whether the proposals satisfy the key British conditions of a full withdrawal of Argentine troops from the islands before longer-term talks can start, and of the right of the islanders to self-determination.

The full Cabinet is due to meet this afternoon to take stock of the position. Mr Francis Pym, Foreign Secretary, is due to report to EEC Foreign Ministers for the first time and to thank them for their support. In the Commons yesterday, Mr Pym noticeably kept the Government's options open on the crisis, pending the outcome of the mission of Mr Alexander Haig the U.S. Secretary of State.

During questions in the Commons following a short statement yesterday, Mr Pym firmly refused to comment on proposals for UN involvement and would not be drawn on calls for more open support from the Reagan administration.

Mr Pym's theme was that the objective remained to secure Argentine withdrawal from the islands, and that it would be wrong to consider what might happen if Mr Haig's mission failed. Mr Pym said methods of withdrawal would be open to discussion and he did not want to close any options.

In his statement Mr Pym said Britain's naval task force had been strengthened. This followed a Ministry of Defence announcement that a further 900 to 1,000 troops, mainly from the 2nd parachute group, were being sent to the south Atlantic and that further merchant ships were being chartered and requisitioned.

The reaction of most MPs yesterday was that Mr Pym wanted to create the maximum room for political manoeuvre for a peaceful solution to the dispute by not allowing expectations to be raised.

Bravely bipartisan approach at Westminster was maintained though there were signs of growing Labour support for the suggestion by Mr Denis Healey, the party's deputy leader, that if no immediate agreement on sovereignty could be reached the UN might provide temporary

Continued on Back Page

Oil companies plan to break gas monopoly

BY RAY DAFFIER, ENERGY EDITOR

NORTH SEA oil companies have begun planning to break British Gas Corporation's monopoly over natural gas sales to UK industries.

Studies in the oil industry indicate that companies producing gas might be able to capture 10 to 15 per cent of the Gas Corporation's total market in the late 1980s and 1990s. The competition will be concentrated in the industrial fuel market which accounts for well over a third of British Gas sales.

The Government is planning to open the market for competition under the Oil and Gas (Enterprise) Bill, due to receive its second reading in the House of Lords today. Energy Ministers hope the legislation will be on the statute books by June.

Marketing ideas being considered by operators of offshore gas fields include:

● The sale of gas direct to manufacturing companies, with the fuel being transported through specially-built pipelines or—more probably—through the Gas Corporation's distribution network.

● The use of new, independent marketing companies which would buy gas supplies from a number of producers and then resell them to UK industrialists.

● The development of an energy package whereby producers would guarantee to supply industrial customers with an agreed amount of energy made up of oil products, natural gas, and—possibly—liquefied petroleum gas. The balance of supplies would vary, depending on the availability of the various fuels.

An attraction of this package arrangement, apart from its flexibility, would be the producers' ability to sell some of their gas to British Gas to help the Corporation meet its peak demand from domestic and commercial customers during winter months. Under this arrangement oil companies would sell gas to industrial customers in the summer and to British Gas in the winter.

One company which has made known its interest in marketing its own gas is Conoco, the U.S. subsidiary of the Dutch chemical group, which has stakes in several North Sea oil and gas fields.

Conoco said in London that it had contacted about a dozen large industrial concerns on Humberstone "to evaluate the potential gas demand." The company said: "Our plans are in the very early days and we have not yet reached the feasibility stage."

But last month Conoco began drilling for gas in block 49/22, close to the Viking Field in the

southern sector of the North Sea, in the hope of finding new gas reserves. It pointed out that this was its first gas well to be drilled in the promising Viking area since the mid-1970s.

Amoco, another U.S. company with substantial North Sea oil and gas interests, said: "We would be very interested in the opportunity to sell gas direct to industrial customers, and for international sales, but we would not want to break into the domestic gas market as this is beyond the scope of our operations in the UK at the present time."

Mr Hamish Gray, Minister of State for Energy, said: "We hope that the increased opportunities for competition will provide further impetus for gas exploration and development on the North Sea."

In recent years oil companies have complained that they have had little incentive to explore for gas, given the prices paid by the Gas Corporation as a monopoly purchaser. At present companies receive an average of 10p a therm—much less in the mature fields of the southern North Sea—compared with prices of between 26.5p and 30.3p a therm charged by British Gas to its industrial contract customers.

Oil companies have warned the Government that because of the lack of exploration British Gas could face a severe shortage of supplies in the 1990s. The Corporation expects consumption to rise from the present level of around 4.5bn cubic feet a day to between 5bn and 6bn cfd during the rest of the 1980s and beyond. But oil companies believe supplies contracted to British Gas will be sufficient to meet only 2.5bn cfd of demand in 1995 and 1.7bn cfd in the year 2000.

Although a number of companies will strive to make direct deals with industrialists, there are many in the oil industry who doubt whether they will be able to win as much as 10 to 15 per cent of the total market. They point to the logistic problem of transporting their gas through a pipeline network owned and operated by British Gas. They also expect the Gas Corporation—with its access to substantial cheap supplies—to offer stiff pricing competition.

Continued on Back Page

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British step up investment in West Germany

BY JAMES BUCHAN IN BONN

BRITISH BUSINESS sharply increased its direct investment in West Germany last year, accounting for almost a quarter of total foreign direct investment of DM 4bn (£930m).

According to figures released at the weekend by the Economics Ministry in Bonn, British direct investment amounted to DM 948m (£197m) in 1981, well ahead of any other country and more than double the equivalent sum for the United States.

The relative weakness of the D-Mark against sterling in the course of the year helped account for the boost in UK investment. Overall, foreign direct investment increased by DM 1.6bn (£372m) and was primarily directed at the banking sector, chemicals and electronics.

At the same time, West German direct investment overseas climbed from DM 3.2bn (£1.9bn) in 1980 to DM 9.8bn (£2.27bn), the highest figure since records were restarted in 1952, and providing a comfortably positive net balance of DM 5.5bn (£1.34bn). Inevitably, the U.S. took the lion's share of last year's direct investment, accounting for almost a third of the total.

There were two noteworthy developments in West German direct investment overseas last year. First, the West German banks all but doubled their commitment overseas with total direct investment of DM 1.9bn (£441m). Second, and most satisfying for the Bonn Government, the declining share of the Third World in West German direct investment was sharply reversed last year.

Direct investment in the developing countries, which stood at 42 per cent of the total in 1972, had fallen to 13.6 per cent by 1980. Last year, the Third World share jumped to 23.3 per cent.

Portugal moves to curb soaring credit demand

BY DIANA SMITH IN LISBON

THE PORTUGUESE Finance Ministry is drawing up a package of measures aimed at curbing persistently overheated credit demand. These are likely to include a 1 or 2 per cent increase in interest rates, larger compulsory deposits by banks with the Bank of Portugal and closer scrutiny of foreign borrowing.

A recent run on foreign credit has increased to 30 per cent the short-term factor of the country's \$10bn foreign debt. This is considered excessive in a period when Portugal is obliged to repay the principal on several large loans contracted in the mid-1970s, and is suffering from last year's \$2.6bn balance of payments deficit.

Despite last year's hefty increase in interest rates, intended partly to discourage private borrowing and partly to bring local rates closer to international ones, middle-class Portuguese consumers are borrowing and spending lavishly. Domestic industrial output is less abundant, however.

Blasts at French offices

VIENNA—Explosive devices went off outside the French embassy and the offices of Air France here during the night, police said yesterday. The explosion at the airline's building caused serious damage to the windows and the front of the building but no one was hurt.

The explosion outside the French Embassy occurred almost immediately after the blast at Air France; it caused only slight damage to the windows and nobody was hurt.

Foreigners in Moscow protest arrested

MOSCOW — Soviet KGB security police arrested seven foreigners who staged a brief demonstration on Moscow's Red Square yesterday, calling on the Kremlin to cut arms spending and give more aid to developing countries.

A statement issued by organisers of the demonstration said those arrested included two Frenchmen, two Belgians and two Italians. It did not account for the seventh man but said all the protesters belonged to West European minority "radical parties."

The demonstrators unfurled a 10-foot blue-lettered banner bearing the words "Bread, Life and Disarmament," as tourists gathered to watch the changing of the guard outside the Lenin mausoleum.

Security police, who had gathered in anticipation of the protest, quickly beat down the banner and bundled the demonstrators into a waiting police car. The action lasted about two minutes and provoked little interest among the hundreds of bystanders.

The statement said leaflets handed out by the demonstrators called on the Soviet Government to donate 0.7 per cent of its gross national product to feeding developing countries.

The radical parties are small left-wing groups, which are campaigning in several West European countries for an increase in industrialised countries' support for the Third World.

The Soviet chief of staff, Marshal Nikolai Ogarkov, recently called for a decisive struggle against pacifist views in a booklet entitled: "Always ready to defend the fatherland." He said some young people were politically naive or complacent and underestimated the danger of war.

Western diplomats believe the Kremlin could be concerned about signs of the emergence of a "peace movement" on Western lines in East Germany, an allied Warsaw Pact country. But there have been no indications of any active pacifist groups.

Yesterday's protest was the second on Red Square in four days. Last Friday, a Jewish protester, demanding a visa to emigrate to Israel, was arrested.

David Housego finds agricultural incomes under pressure in central France

Lot farmers' lot is not a happy one

"IF THE troubles would only return," says M Guy Fouché, farmer and a modest landowner on the wooded uplands of Quercy in central France, "we would all be kings."

But troubles—these warty, scented fungi snuffed out by pigs and sold at fabulous prices which once brought wealth and chateaux to this region on the edge of the Dordogne—have not surfaced in any number for the last 50 years. The vines that once grew on the hilly scrubland now grassed by sheep were killed off by disease at the beginning of the century.

Agricultural incomes in the department of the Lot, in whose northwest corner M Fouché lives, are now the sixth lowest in France. Over the last 10 years the agricultural population has fallen by a quarter. M Fouché thus has his eyes fixed on today's meeting of European Community Agriculture Ministers in Brussels, where he hopes that the French Government will stick to its guns and press for a settlement on farm price increases close to the 16 per cent that French farmers want. "That would help us to catch up somewhat," he says.

M Fouché's problem is that of most French farmers. The annual increase in EEC farm prices has not kept pace with rises in costs, particularly over the last three years. M Fouché raises sheep and pigs.

The cost of keeping sheep, he maintains has risen by 14 to 15 per cent a year over the last two years. The increase in

prices for his animals has averaged only 7 per cent. "That clearly can't go on without driving more people off the land," he says.

French farmers are militant because they fear a widening gap in living standards with industrial workers who have been promised no loss of purchasing power by the Socialist administration. For the first time since the war, farmers face a Government mostly preoccupied with the condition of France's urban population and they are suspicious of it.

M Fouché, 49, sinewy with a small brush moustache and a quick smile, has figures readily at hand to explain his difficulties. In 1974 he had an "agricultural income" of FF100,000 (£10,000). This represents his farm's earnings before tax and depreciation. Last year that revenue had dropped to FF70,000 and will now have to be divided with two of his sons who have joined him as partners.

M Fouché points out, with a mischievous display of indignation, that this puts him and his sons well below the minimum industrial wage of FF36,000.

This sort of calculation enrages a great many Frenchmen who do not believe farmers' claims of poverty, and who have grown impatient with the rowdy demonstrations in which the farmers project their grievances. M Fouché, with a handsome stone-built house, a modest but well-furnished kitchen, does not

look as though he is having to scrape to make a living. His farm has expanded substantially since 1974. Then he had 300 sheep. He and his sons now have 800 and a piggy with 45 sows. The family now farms 100 hectares (250 acres) of cultivated land as against an average holding in the department of 20 hectares.

On this basis, M Fouché is one of the more substantial farmers of the Lot. One reason why his income is so low is that he has ploughed back money into the farm. Another reason, he volunteers, is that he wants to lighten his working hours and enjoy more leisure.

Since 1973 when he put up his first major covered sheep pen, his investments have been large. In 1976 he built a further substantial sheep shed and a silage unit at a cost of FF60,000. Two years later, with two of his children coming

of age and wanting to stay on the land, he invested in a piggy at a cost of FF380,000. There was a further major expansion in 1980 characteristic of the regrouping of holdings that is taking place in the Lot.

In 1980 he also put FF150,000 into a pig feeding unit. The result is a complex of six large outbuildings that dominates the skyline.

With funds raised at concessional rates of 4 to 9 per cent the farm had debt repayments last year of FF120,000.

M Fouché adds two further reasons why 1981 was particularly difficult. Frost killed a walnut crop that would have brought in about FF50,000. Pig production fell because of disease. And newly-rented fields had to be restored. The farm hopes for a total agricultural revenue this year of FF180,000.

But M Fouché does not see

much scope for increasing productivity further. He gets an average of 1.8 lambs a year from each ewe and 21 piglets from each sow—which he considers "quite good."

He claims his costs are higher than in Britain which he visited in the early 1970s with a party of French sheep farmers. "You quickly see the difference," he says. "We went to Scotland and Wales. The farms are enormous, there are few buildings, there is grass everywhere and you have a damp temperate climate. On top of that British farmers get lots of subsidies—for taking their sheep up the mountain, bringing them down and then taking them up again."

By contrast on the dry stony land of Quercy, the summer grass is burnt up after July and the winters are cold.

M Fouché is quite clear on why French farmers, and those of the Lot in particular, need assistance. "In this department there is virtually no other work outside agriculture. You have to go to Toulouse or Paris for a job," he says.

The statistics bear him out. The Lot has 25 per cent of its population involved in agriculture—the second highest of any Department in France.

M Fouché believes if those people are not encouraged and helped to stay on the land, more they will tend to drift away to the cities and add to the ranks of the unemployed.

Strikes threaten Norway with severe disruption

BY FAY GJETER IN OSLO

NORWAY FACES the threat of three serious strikes this week that could affect some 80,000 workers and paralyse much of the country's transport and industry.

Yesterday, the deadline for a strike decision was approaching in talks between employers and unions organising engineering industry workers, bus and lorry drivers and aircraft maintenance mechanics.

If the talks fail, as is widely expected, the resulting strikes could be lengthy. The Conservative Government has said it will not resort to enforced settlements by a state wages' board. The bus and lorry drivers' strike would soon affect all types

of road transport, because fuel supplies for private cars will run out. Offshore oil activities could be hit because helicopters serving the oil platforms will not be able to refuel in Norway when stocks are used up.

The engineering workers' strike will halt all types of heavy engineering activity, including oil platform construction. It could also affect the publication of newspapers, since printing machinery which breaks down will not be repaired until the strike ends.

The engineering and aircraft mechanics strikes are due to start on Monday night, if no agreement is reached, the bus and lorry drivers 24 hours later.



Dr Leutwiler... problem not yet solved

Leutwiler calls for action on Swiss inflation

BASLE—It will be some time before Swiss inflation and interest rates are down to the level where the national bank would like to see them, according to Dr Fritz Leutwiler, the bank president.

In an address prepared for the opening of the annual Basle trade fair, he said the problem of inflation has not yet been solved. The annual rate of increase of the consumer price index slowed to 4.7 per cent in March from a six-year peak of 7.5 per cent in September, and short-term Swiss interest rates have fallen steeply.

The national bank, he said, cannot strengthen the D-mark against the Swiss franc, partly because the West German

currency is weak for reasons beyond the control of the Swiss authorities, but also because this would endanger the goal of price stability.

He believed, however, that the D-mark would be weak only temporarily.

"The right thing to do is to solve the inflation problem. During the adjustment process economic disadvantages and hardships are inevitable, but the disadvantages of letting inflation go would be incomparably greater," he said.

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**STAYING AHEAD
IN THE RACE TO TOMORROW.**

Mauroy tries to defuse row over police powers

BY DAVID HOUSEGO IN PARIS

M. PIERRE MAUROY, the French Prime Minister, yesterday sought to defuse the dispute in the French cabinet over the powers of the police and to reassert his authority.

After an hour's meeting with M. Gaston Defferre, Interior Minister, and M. Robert Badinter, Justice Minister, the two senior government members involved, M. Mauroy struck a compromise.

He disavowed M. Defferre's proposal that the police should be given the right to shoot at rioters, a proposal which has caused disquiet in the Socialist Party.

He confirmed that the Security and Liberty Act, judged as "repressive" by the Socialists, will be repealed. But he has said that he will put before the cabinet proposals defining the conditions under which the police can carry out identity checks — the main point at issue in the dispute in which M. Defferre has argued for reinforced powers.

This leaves the final umpiring to President Mitterrand.

The President, who returned yesterday afternoon from a week in Japan and Canada, was expected on all sides to soothe the discord that has surfaced in his absence.

Sensitive to the damage that the quarrelling has done to the government's image, M. Mauroy yesterday took the unusual step of writing a front page article for *Le Monde* justifying more open-style government.

He said that contrary to the practice of the previous regime, where ministers had been trained to be docile interpreters of government policy, the Socialists had had 20 years of opposition in which they had not feared to speak their minds.

Ministers should thus take part in the debate over policy, but once a decision had been taken they were expected to support it.

Agricultural exports help cut French trade deficit

BY TERRY DODSWORTH IN PARIS

STRONG exports by France's agricultural and food sector, combined with an improved overseas performance by key parts of manufacturing industry, led to a further reduction in the country's trade deficit last month.

Presenting the seasonally adjusted figures, the Trade Ministry said yesterday that the FFr 4.5bn (£396m) shortfall confirmed the improvement which emerged in February, when the deficit fell to FFr 5.3bn against FFr 7bn in January. The results also marked a progress over the performance of the last half year.

After a string of dismal economic news, the figures will be a relief for the Government. But they nevertheless show a continuing weakness in certain areas of the economy, illustrated by the renewed pick-up in imports of household electrical equipment, consumer electronics and textiles.

In addition, some of the flatness of imports in other sectors was probably due to the fact that industrial activity has not risen as fast as was hoped.

Imports of unfinished goods, for example, fell last month partly because there had been overstocking at the end of last year. Similarly, some of the fall in the energy deficit can be attributed to modest needs of industry.

On the positive side, however, industrial exports improved, with a substantial upturn in car exports—traditionally one of the stronger elements in the economy—and the continuing buoyancy of the agricultural sector.

These divergent trends are equally evident in the first quarter figures, which show an increase in the deficit over the same period of 1981, but an improvement on the 1980 figures.



Herr Brandt . . . plea for support

Brandt warns party over missiles decision

BY JONATHAN CARR IN MUNICH

WEST GERMANY'S ruling Social Democrat Party (SPD) has been warned by its chairman, Herr Willy Brandt, not to withhold support at its congress here for Nato's "arm and negotiate" decision on intermediate-range nuclear missiles.

At the start of the five-day congress yesterday, Herr Brandt also stressed, however, that the Nato stand did not mean new missiles would automatically be deployed in West Germany if superpower arms reduction talks became stalled.

Herr Brandt's remarks underlined how difficult a tightrope the party leadership is trying to walk, before some 400 delegates many of whom have serious

doubts about the Western alliance's position on the missile issue.

Under its decision of December 1979, Nato agreed to offer Moscow negotiations on limiting intermediate-range missiles, but also to prepare to deploy similar weapons of its own from the end of 1983 if the talks were to fail.

Yesterday, Herr Brandt did not develop his point about missile deployment not being automatic. But he was believed to be referring to previous proposals for a special SPD conference to be held later next year.

It would be the task of this gathering to review what progress, if any, had been made in

the Soviet-U.S. negotiations in Geneva, and to decide what consequences should be drawn for West Germany, where most of the missiles would be stationed.

The immediate value of this plan for the party leadership is that it helps postpone a showdown on the issue at the meeting here. Chancellor Helmut Schmidt, who addresses the congress today, has long made clear he would resign if the SPD rejected the Nato stand.

Herr Brandt noted that, in contrast to the Western alliance position now could give both Moscow and Washington an alibi not to negotiate seriously. Instead, he added, West Ger-

many should throw all its weight into helping the superpowers reach accord.

The party leader agreed that past experience of similar talks gave no cause for optimism. But he added, "when negotiating ceases, then we have already lost." He also said that the West should not simply reject without examination the Soviet offers of a "missile moratorium," because if we do so, the suspicion will arise that we want American missiles on European and German soil, whatever happens.

Much of the 90-minute speech was devoted to an analysis of the dismal state of the SPD, which has lost 30,000 members

since the general election of October 1980. Herr Brandt warned against factional fighting and said there were those in the party who portrayed SPD achievements as national and local levels, though these were no bigger than "a fly's droppings."

He was firmly in favour of tough debate, but the party should spare more of its strength to attack its political opponents.

Once majority decisions had been taken, Herr Brandt said, with an eye on the course this week it was the duty of all party members to support them in public. Those who felt they could not do this should go.

Pressure on Jaruzelski for hard line

By Christopher Bohinski in Warsaw

PRESSURE IS mounting on General Wojciech Jaruzelski, Poland's military leader, to pursue undisguised hardline policies. This is borne out by an attack on Mr Jan Jozef Szczepanski, head of the suspended Writers' Union, and other leading intellectuals in yesterday's issue of *Zolnierz Wolnosci*, the army daily.

The article also accuses "The Experience and the Future," a group of independent but moderate intellectuals, as being inspired by "western intelligence services."

But it concentrates on the "Accord for Polish Independence," an anonymous think tank set up in 1976 which produced several position papers on political and historical issues in the late 70s.

The newspaper repeats the charge that Mr Zdzislaw Najder, an academic who heads the Polish section of the U.S.-funded Radio Free Europe, worked for the CIA and was a member of the "Accord for Polish Independence."

It also names Mr Szczepanski, Mr Stefan Kisilewski, a Catholic columnist, and Mr Andrzej Kijowski, a literary critic. Mr Szczepanski is engaged in talks with Mr Jozef Telesch, another politician with a liberal reputation, on reactivating the Writers' Union.

KEY INSTALLATIONS UNDER GUARD

Madrid calls in troops after Eta bomb attack

BY ROBERT GRAHAM IN MADRID

THE SPANISH Government was yesterday reported to have sent units of the armed forces to guard key telecommunications and energy installations in the wake of Sunday's terrorist attack which seriously damaged Madrid's most important telephone exchange.

All police leave has been cancelled. No one has yet claimed responsibility for the attack which was widely expected to be a prelude to a coup.

Indeed, the introduction of the military appears to be more of a cosmetic move to head off pressure from the

ing provinces for more than 12 hours. But it is assumed to be the work of Eta, the militant Basque separatist organisation.

The decision to use troops was taken at an emergency cabinet meeting on Sunday. This falls short of declaring a state of emergency which, Sr Juan Jose Roson, the Interior Minister, said had been contemplated but rejected.

Indeed, the introduction of the military appears to be more of a cosmetic move to head off pressure from the

Right-wing and from within the armed forces for ever-tougher measures against terrorism.

The Government has been vague as to how and when the troops will be used, except to guard sensitive communications and energy installations. "Army units, however, are to be deployed again along the frontier with France."

The attack on the Rias Rosas telephone exchange was carried out early on Sunday and is Eta's seventh since last Wednesday.

On Friday, Eta's headline military wing announced they were stepping up their campaign of violence and threatened to use heavier weapons against the state if the security forces were not withdrawn from the Basque country within a month.

The seven attacks have occurred in six Spanish cities — the most recent being late on Sunday night at Eibar between Bilbao and San Sebastian when three grenades were thrown at a Guardia Civil barracks.

Soviet move on sea-bed mining

By Anthony Robinson in Moscow

THE Soviet Union has issued a decree permitting Soviet enterprises to search for and exploit minerals found on the sea bed, in the face of what claims are U.S.-inspired delays in concluding an international law of the sea.

But the decree, which sets out the legal framework for future sea-bed operations, only allows prospecting work to start in 1983. It would also become invalid if a new international law were agreed in the meantime.

Negotiations on a law of the sea have been taking place under UN auspices for over eight years. But hopes of an early conclusion have been dashed by President Ronald Reagan's insistence on changes which would give greater operational freedom to the multinational mining companies which have developed sea-bed mining techniques.

The preamble to the Soviet decree makes clear that Moscow felt compelled to take this step to defend its own interests in view of the fact that "other states unilaterally have begun the practical development of the mineral resources of the sea bed beyond the limits of the continental shelf."

This latest Soviet move is essentially a reaction to the hard negotiating line taken by the Reagan Administration.

Union chief sees jobs threat to democracy

BY JOHN LLOYD, LABOUR EDITOR, IN THE HAGUE

CRITICALLY HIGH levels of unemployment in Western Europe were "eating into the foundations of democracy," Mr Wim Kok, president of the European TUC, said in The Hague yesterday.

Opening the fourth statutory congress of the ETUC, Mr Kok told the delegates that 12m workers were unemployed in Western Europe. Some 10.6m of those were within the European Community—9 per cent of the work force.

Mr Kok said: "No society can afford with impunity to send 30 per cent or even 40 per cent of school-leavers home with the message that there is no place for them. And no one can turn a blind eye to the fact that mass unemployment is fertile soil for political extremism. We all

know how vulnerable democracy is, how easily and how quickly it can be destroyed from within by the machinations of political extremists."

"But what presents the most serious threat to democracy is the fact that very large groups of the population are losing confidence in what politics can do for the man in the street."

"There is loss of confidence after so many years of inability to tackle the root of the crisis. If this distaste for politics continues to eat into democracy, the outcome can be fatal. For it can prepare the way for strong men with simplistic answers. It can open the door to political and military adventures."

He strongly criticised the deflationary policies adopted by most European countries in the past few years, together with "neo-conservative" theories, which had gained ground in the U.S. and Europe.

"With this attitude, all problems are reduced to the conclusion that workers and those who are entitled to social benefits are peremptory too much. Everybody is talking, albeit in lower tones, about the crisis in the welfare state. In all sectors, we are having to tolerate attacks on social institutions which are important precisely for working people."

The ETUC today begins the process of adoption of a lengthy resolution calling for a reduction of unemployment by

increasing investment, raising purchasing power, and cutting working time.

The congress will lay particular emphasis on the reduction of working time. Mr Kok criticised the European Commission and European employers for failing to take up the issue and called on unions to make a "concentrated onslaught on the employers' blockade."

Its affiliated unions, which include all the main trade union centres in the EEC, will be urged to put a cap on working time at the top of their bargaining agendas. Speaking before the congress opened, Mr Kok indicated that unions should be flexible on wage increases if reductions in working time could be won.

What if you chose Hewlett-Packard as a computer partner?



"With the HP 3000 we provide a faster response to rescue calls, have reduced costs, and can gain immediate access to important information, previously unavailable."

—John Barrow, Company Secretary, National Breakdown Recovery Club.

The National Breakdown Recovery Club offers 365-day protection to over 250,000 motorists. In 1981 they installed an HP 3000 Series 33 at their Bradford Headquarters. Their requirements were stringent—a machine capable of providing a reliable 24-hour enquiry and update service for recovery controllers, membership administrators and senior management.

Staff adapted quickly. Standard membership documents are printed on the HP 3000 and, by using the very latest member details, they have cut, by up to 40%, the need to revise pre-printed detail. Members notifying altered details now receive an updated document.

Controllers can now access 95% of records within seconds—the remainder in 2 to 3 minutes. With the old manual records, each could take up to 10 minutes and often the information would be outdated or incomplete. The system will also automatically identify the nearest accredited garage providing the service required and will monitor the performance of over 1,000 such bases.

Says John Barrow: "The HP 3000 provides important statistical information simply as a by-product of daily routine. This enables us to react rapidly and confidently to constantly moving market factors."



"Our HP 3000s have helped us achieve a great increase in productivity in our computer departments, which is reflected throughout the Group."

Peter Dobson, EDP Adviser, Glaxo Holdings plc.

The Glaxo Group, Britain's largest pharmaceuticals organisation, ordered their first Hewlett-Packard computer in July 1978 and by October the HP 3000 Series III was up and running. Three years later, the computer network has increased to 17 intercommunicating HP 3000s in offices and laboratories throughout the UK. They include the HP 3000 Series 64—up to five times as powerful as the original Series III.

Meanwhile Glaxo companies throughout the world have followed suit. Six overseas operations now have HP 3000s, and others have smaller HP computers. More are planned and the aim is to have them all linked by communicating software.

In fact, the communications software was a major factor in the choice of system. Another was the simple but effective data-base management system, with its high-level, user-orientated language which accelerated its acceptance by non-EDP staff.

The Group's EDP Adviser, Peter Dobson states: "The HP 3000 range offered us compatibility between all our operating companies, and adapted easily to very different sizes of user. The steady flow of new products since then—both hardware and software—has been very impressive and fully justified our decision."

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In 1981 Hewlett-Packard Limited had a turnover close

to £120 million which puts the company well into the top 500 'Industrial' companies in the UK. Employees now exceed 2,000, of whom more than half are in sales and customer support.

Worldwide, Hewlett-Packard Corporation has a turnover of £1,650 million of which approximately half arises outside the USA.

A working partnership

The Hewlett-Packard approach to its customers is based on a working partnership—one which starts with the definition of computational needs and continues with the provision of first-rate after-sales service. There is a choice of support options ranging from planning and installation, training, consulting and software support, through to hard-

ware maintenance and computer supplies. Hewlett-Packard has invested heavily in the provision of customer support centres throughout the UK. HP runs two major training centres at Manchester and Pinewood, near Wokingham as well as engaging in extensive on-site training programmes.

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OVERSEAS NEWS

Sinai hopes rise as troops move settlers

BY DAVID LEMMON IN TEL AVIV

ISRAELI TROOPS yesterday began the final evacuation of Jewish settlers and demonstrators from northern Sinai, as Israeli, Egyptian and American officials held talks in Jerusalem to resolve the last-minute dispute which has threatened to delay the Israeli withdrawal due on Sunday.

Both Israeli and Egyptian officials expressed optimism that all the outstanding issues will be resolved by April 25—the date on which Israel is due to return Eastern Sinai to Egypt, thus completing its part of the peace treaty signed three years ago.

Despite having charged Egypt with violating the terms of the peace treaty by stationing more than the permitted number of troops in western and central Sinai and of allowing weapons to be smuggled to Palestinian guerrillas in the Gaza Strip, Mr Menahem Begin, the Israeli Prime Minister, ordered the final evacuation this week of the Jewish settlements in Sinai.

Die-hard settlers and protesters against the peace treaty were evacuated by the army from two small agricultural villages in northern Sinai yesterday. But the removal of the bulk of the Israelis still in the Yamit urban settlement has not yet begun.

Attempts were being made yesterday to dissuade one group of extremists from carrying out their threat to commit suicide if the army tries to evacuate them from Yamit.

Gen. Kamal Hassan Ali, Egypt's deputy premier and Foreign Minister, held lengthy talks in Jerusalem with Mr Begin and the Israeli Foreign

Gulf states to consider more aid for Iraq

INCREASED AID to Iraq will be discussed by Arab Gulf states when they meet in Saudi Arabia in the next few days, our Foreign Staff reports.

Saudi Arabia, Kuwait, the United Arab Emirates and Qatar have already provided an estimated \$22bn for Iraq since the Gulf war started 19 months ago. Together with Bahrain and Oman they will be meeting in Riyadh as members of the Gulf Co-operation Council.

Iraq's financial difficulties have become more acute since Syria announced 10 days ago that it was cutting the flow of Iraq's oil exports through the pipeline to Basra on the Mediterranean coast.

The Syrian decision is likely to cost Iraq up to \$5bn in lost revenues during a full year and makes Baghdad totally reliant on its pipeline to Turkey for oil exports. The maximum capacity of the Turkey terminal is about 600,000 barrels a day.

The Gulf states are also likely to discuss their attitude to the scheduled \$1.5bn a year in aid which Syria is supposed to receive under the terms of the 1978 Arab summit meeting. Syria has never received the full amount which was committed and might face a further cut following its actions against Iraq.

S. African dispute

South Africa's trade unions for white mineworkers, most of them employed on gold mines, have declared a formal dispute after a breakdown in wages talks. Bernard Simon reports from Johannesburg.

Because of the drop in the gold price, employers have told the 23,000 mineworkers that they can only afford a 5 per cent increase this year. The unions have demanded 15 per cent.

New name Nimbe

Cameroon yesterday broke a tie with its colonial past when the government gave the African name Nimbe, to the port city of Victoria. Reuter reports from Douala.

During British colonial rule, Victoria was a major port for both West Cameroon and Nigeria, but after independence and unification with French Cameroon, it lost its role to Douala.

Richard Hanson reports on a home market which is showing signs of explosive growth

Japan braced for personal computer war

A REAL struggle is just beginning among Japanese manufacturers for a stake in the country's personal computer market, after a late start, is showing signs of growth nearly as explosive as in the U.S. when they were first introduced.

The Japanese Government has forecast that the local market for office automation equipment will more than double by the end of this decade to more than ¥5,000bn (¥11.4bn) and that as a consequence demand for personal computers may quadruple to a market worth around ¥400bn.

Personal computers, usually defined as machines for either business or private use costing US\$1,000-US\$5,000 (£600-£3,000) have fast become one of the biggest sellers in the electronics industry.

World sales last year jumped 73 per cent to \$1.4bn, according to Dataquest, a U.S. research company. Sales are expected to continue increasing at an average 38 per cent a year to reach \$7.2bn by 1986.

Japan's powerful electronic industry is understandably looking forward to cornering a big chunk of the domestic market, although they have surprisingly been relatively uncompetitive internationally.

Last year, Japan took less than a fifth of the international personal computer market, which is concentrated nearly 60 per cent in the U.S. with Japan and Europe holding about equal shares of most of the rest.

The Japanese have so far been overshadowed by the strength of energetic U.S. companies. Apple Computer is the world leader and last year had sales of personal computers estimated at \$405m. The biggest Japanese maker, Nippon Electric (NEC), ranked only fifth in

world production, with sales of \$90m, has had trouble selling in the U.S.

This is chiefly because of serious problems in providing programmes. Paradoxically, Apple encountered the same problem in marketing its small computers in Japan.

The Japanese industry has been hampered at home by the comparative slowness, until recently, of Japanese business to introduce small computers into offices. Until three years ago, the leading U.S. makers—Apple, Commodore and Tandy—claimed the lion's share of the market in Japan.

Now, Japan's big electronics manufacturers have become involved. However, last year, NEC's personal computer sales grew 125 per cent and outstripped all of its U.S. competitors in the local market.

Foreign machines in Japan meanwhile took less than 10 per cent of the market.

Along with the entry of the big Japanese companies, Japan was also producing its own small equivalents of the Apple Computer. Perhaps the most successful has been SORD Computer Systems.

A company founded 10 years ago to concentrate on producing highly innovative easy-to-use personal computers and software, SORD, which assembles its machines in Ireland, may be one of the few small companies to survive the forthcoming struggle against companies such as NEC, which claims about 45 per cent of Japan's output volume.

According to one estimate, there are 43 Japanese companies now involved to some degree in personal computers. The sheer numbers involved in Japan typically means that there will be cut-throat competition, and

that rapid advances will be made in systems and technologies.

Mitsubishi Electric, which is about to launch its own ambitious attack on the market, expects that only seven or so companies in Japan will survive the competition to become large-scale producers.

Last year, Japanese production figure of 333,000 units is expected to double in 1982.

Internationally, the competition grew even fiercer when IBM finally entered the market for small computers late last year. IBM may be able to take as much as half of the new market this year with its strong sales network and reputation.

The Japanese companies' strategies to cope with these challenges are only just beginning to emerge. Many of the big manufacturers are still reluctant to discuss their plans, though new developments are expected to be announced over the next couple of months.

One likely tactic, however, is that being followed by Mitsubishi Electric (ME), which will put a new range of high-powered personal computers on sale this month. ME claims to be a leader in the small office computer field where the machines are larger and more expensive than personal computers.

The ME personal computer is in the same range as the next

"generation" of 16K-BK (a measure of computing power) machines which IBM has taken on.

These are two to three times as powerful as the 8K-BK machines now used widely.

ME has partially hitched its wagon to IBM through the formal "cooperation" of being nearly completely compatible with the IBM system.

This will allow ME users to exploit the vast amount of software programmes which will not doubt be generated to meet the needs of IBM machines. Other manufacturers may lean toward this kind of strategy to overcome the barriers presented by the incompatibility of Japanese software outside the country.

Mitsubishi hopes that it will be able to corner over 10 per cent of the Japanese market with its new machine; considering its non-existent share in the personal computer market now, many observers feel this target is over-ambitious.

The outlook may be clearer once rival manufacturers reveal their plans. Of particular interest will be the response by the giants of the home electronics field such as Matsushita Electric Industrial Co. Ltd. Matsushita's current involvement includes a venture with Fujitsu, Japan's biggest main frame computer company, which both

may wish to expand independently.

With the possible exception of IBM, which has a well-established subsidiary in Japan, the Japanese industry anticipates little difficulty in finding off foreign incursions. Rather, the critical problem for expansion is how to capture a substantial part of the U.S. and European market. Less than 20 per cent of Japan's personal computers are exported, compared with over 70 per cent for such products as home video tape recorders—once the brightest prospect for the electronic industry.

Part of the answer may lie in a tactic which Japanese companies have used many times in the past to crack foreign markets: producing machines for sale under U.S. brand names, a practice known as original equipment manufacture (OEM).

Personal computer manufacturers may, out of pride, like the idea of selling their own names. NEC's experience so far, however, indicates that personal computer systems must be closely linked to sometimes fickle local tastes, no matter how reliable or competitively priced the foreign products may be.

The OEM arrangements currently under discussion with Japanese companies would provide U.S. distributors with a reliable source of machines. For the Japanese, using U.S. partners would help them adjust to software and market requirements.

Japanese companies are also keenly aware that getting a foot in the U.S. door while the U.S. market itself appears to be undergoing a period of reconsolidation may be the one chance to survive the competition at home.

Source: DATAQUEST, Inc.

United States
Europe
Japan
Rest of World
Total

Small Business Computers
Personal Computers
Home Computers

824
200
80
50
1,154

118
35
19
5
1,68

Source: DATAQUEST, Inc.

1,754
1,400
168

Iranian guerrillas launch offensive against Ayatollah

BY TERRY POVEY

GUERRILLAS in Iran have launched a new military offensive against the Government of Ayatollah Khomeini, according to Western diplomats in Tehran. As many as 100 "operations" per day are said to be taking place across the country.

The most spectacular of the new round of attacks was made three weeks ago on the head-

quarters of the "political and ideological" department of the army in north-east Tehran. Soldiers inside the base, sympathetic to the opposition, are said to have carried out the attack.

The attackers are said to have killed a number of key officials. Security forces regained control over the base two days later.

New name Nimbe

Cameroon yesterday broke a tie with its colonial past when the government gave the African name Nimbe, to the port city of Victoria. Reuter reports from Douala.

During British colonial rule, Victoria was a major port for both West Cameroon and Nigeria, but after independence and unification with French Cameroon, it lost its role to Douala.

Fraser hit by two resignations

BY MICHAEL THOMPSON-NOEL IN SYDNEY

TWO KEY Ministers resigned from the Australian Government last night. The two are Mr Michael MacKellar, Minister for Health, and Mr John Moore, Minister for Business and Consumer Affairs.

The resignations follow the admission by Mr MacKellar that he imported a colour television set and cassette recorder from Hong Kong last October without paying duty and after making a wrongful declaration. Mr Moore, who is responsible for Customs, admitted he erred in his handling of the affair.

Ten days ago, Mr MacKellar was a candidate for the deputy leadership of the Liberal Party. He was defeated by the Treasurer, Mr John Howard.

In recent weeks, the Government has been hurt by electoral reversals and internal disputes. At the very least, Mr Fraser now faces a major Cabinet reshuffle. Rapid deterioration in Australia's balance of trade may have ended, Mr Doug Anthony, Minister for Trade and Resources, said yesterday. But he added that a strong turnaround in the short-term is unlikely.

India credit squeeze puts engineering in recession

BY K. K. SHARMA IN NEW DELHI

INDIA's engineering industry, which accounts for a third of the country's industrial production, is "in the grip of severe recession" because of the tight credit squeeze ordered by the Government.

Mr Vinod L. Doshi, president of the Association of the Indian Engineering Industry, said yesterday that information received from member companies for the January-March quarter showed a sharp fall in production, lower utilisation of capacity, increased inventories and

cancellation of orders.

If the credit squeeze continued, Mr Doshi said he feared that engineering exports, which were worth Rs90bn (£5.5bn) last year, would drop at a time when the balance of payments was under serious strain.

The credit squeeze was imposed more than a year ago as part of the Government's strategy to combat inflation which is now running at under 1 per cent in terms of wholesale prices.

THE FALKLANDS CRISIS

BRITAIN REINFORCES TASK FORCE

Defence resources under strain

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

BRITAIN'S decision to increase the size of the naval task force sailing towards the Falkland Islands is straining the country's ability to meet its wide-ranging defence commitments.

The Ministry of Defence yesterday announced additional measures to "extend the military capability of the task force," including the tasking of a further 900-1,000 men from the 2nd Battalion Parachute Regiment and the commissioning of six more support ships.

This brings the total number of ships announced as being part of the task force to nearly 60. It is believed that more than 5,000 men from the marines and the army are now embarked with the force.

Defence experts agree that Britain's ability to meet all its defence commitments could be severely stretched by the decision to send such a large force to the south Atlantic, even though the effect may be marginal if the Falklands crisis is over quickly and does not coincide with any other problem, either in Britain, within the north Atlantic Treaty Organisation, or in non-NATO areas.

The key area under strain are likely to be Britain's commitment to reinforce NATO's northern flank—particularly Norway but also Denmark—and its ability to provide troops, ships and other support for any operation outside NATO, for example in the Middle East.

Home defence may also have been potentially weakened, although according to the Ministry of Defence, the task force has been assembled without in any way weakening the army in Northern Ireland nor the combined army/RAF operations in support of NATO in Germany.

Yesterday's measures, announced by the Ministry of Defence, involved the embarkation of the 2nd parachute group with supporting arms of the Army's 5th Brigade. The 3rd Battalion Parachute Regiment left on the liner Canberra more than a week ago. Some of the new group embarked at Hull on the chartered MV Norland. The rest will leave on Wednesday from Southampton on the European Ferry, a roll-on/roll-off North Sea vessel which the Government has requisitioned.

The two battalions are the key operating units of the 5th Brigade at Aldershot, which is held in readiness for rapid intervention, primarily in non-NATO areas. Their departure means that 5th Brigade is left with only a battalion of Gurkhas. It has had to be brought to strength by two battalions normally dedicated to home defence.

Other measures announced yesterday include the preparation of three hydrographic vessels as hospital ships and

another tanker—there are now more than a dozen with the fleet.

The Defence Ministry has not disclosed the total number of men with the task force, though reports suggested that it includes around 3,000 marine commandos. The marines have a key role within NATO—for which they receive lengthy and arduous training in Arctic conditions, in the reinforcement of Norway.

The UK army also dedicates nearly 2,000 men, including an infantry battalion, logistic support and other combat and support troops for the Allied Command Europe Mobile Force. The AMF is a multinational air and land force for deployment in NATO's northern and southern flanks.

With the departure of the marines and its crack army troops to the Falklands, many of these NATO tasks could be almost impossible to fulfil.

The ramifications of the other measures on UK defence commitments are mixed. Experts believe that between a half and two thirds of Britain's operational warships are already committed to the task force. The ships would clearly not be available for use in their normal stations in the north and east Atlantic in the event of a sudden crisis there.

More specifically, it is clear that the decision to send the

Royal Navy's Sea Harrier jump jets has denuded the navy of virtually all its stocks of that aircraft. It was announced last week that another batch of Harriers, probably of just under 20, is being sent to "nearby double" the existing Harriers. However, an unspecified proportion of the second batch are RAF Harriers, ideal ground attack aircraft but not designed for use at sea.

There is an element of psychological warfare in the now almost daily announcements from the Ministry of Defence that the task force is being strengthened.

Some measures, such as the re-equipment of several trawlers as minesweepers, a role for which experts believe, they would be quite unsuited, seem to fall into that category. So also may Sunday's announcement of the re-equipment of the virtually retired delta wing Vulcan bombers to a conventional rather than nuclear role.

The Defence Ministry said yesterday there was no change in the agreement to sell the carrier Invincible, now with the task force, to Australia for delivery in 1983. However, British Shipbuilders had been urged to increase the work force on HMS Illustrious, Invincible's sister ship, so that it could be commissioned earlier than mid-to-late 1983, a spokesman said.

As the Canberra drew alongside the fueling jetty, there were scenes of half a century ago—ones that Evelyn Waugh might have penned.

Hundreds of soldiers hung over the rail shouting at the few well-wishers ashore waving paper Union Jacks. As bumps came up, there was some trading in sovereigns until the order was given to desist.

The soldiers then turned to the more traditional tending and abuse of the men in the slim wooden cabs.

At Freeport, the 26 dockyard workers from Vespers were landed to return by air to Southampton. In just over 10 days, they had built the two flight decks for the helicopters

on the main sun deck and deck area forward of the bridge.

Some of the work was carried out in gale force winds in mid-Atlantic. The men's services earned a signal of praise from the ship to Vespers.

The enthusiasm and sheer hard work put in by these men is greatly appreciated, and their example a tribute to the excellence of the British ship repair industry," read the signal from Capt Christopher Burns, the task unit commander.

At sunset, the Canberra sailed from Freeport, the traditional port of call for Bristol slavers, the argosies of empire, and war-time convoys.



Marines of 40 Commando crouch on the flight deck of HMS Hermes to practice emergency on Sea King helicopters and roping down to simulate a landing.

Steyr is caught in crossfire of Vienna arms sale row

BY PAUL LENDVAY IN VIENNA

SUSPENSION of the delivery of 27 Austrian-made tanks to Argentina because of the Falkland crisis has led to a bitter public quarrel over Austria's highly profitable arms industry.

The dispute has split the governing Socialist Party and the unions, and brought criticism from Steyr Daimler Puch, the foremost arms producer, for dealing with military dictators.

Herr Michael Malzer, director-general of Steyr, which also produces products ranging from lorries to mopeds and tractors, has publicly warned that his company, with a total labour force of 21,000, cannot survive without arms exports.

Last year these accounted for more than 25 per cent of the company's Schöbn (S48bn) a year turnover.

Steyr had received orders for 240 tanks, with Argentina and Nigeria each buying 70 and Greece 100. Immediately on the outbreak of the Falkland crisis, the delivery of the last batch of the light tanks for Argentina was stopped. In 1980, under pressure from a protest movement, Steyr lost an arms order from Chile worth \$72m.

Dr Hans Fischer, leader of the Socialist Party's Parliament group, said yesterday that legislation on licensing arms exports should be tightened. The legislation should also spell out that Austrian arms must not be exported to countries "guilty of violating human rights," he added.

Austria's arms exports, involving about 25 to 30 companies, are estimated to have



Dr Hans Fischer, firm stand on human rights

reached Schöbn in value last year. Vöest Alpine, the large Austrian nationalised steel and engineering concern, is known to be increasingly engaged in manufacturing cannons, grenade throwers, and ammunition.

According to a letter fax published on the Austrian arms industry, Vöest's arms sales were Schöbn in 1980. Licences for arms exports must be approved by the Ministries.

While Socialist and union officials have launched a campaign against arms exports, other Government officials and heads of nationalised banks have spoken out in favour of arms deals.

Norwegians join boycott

BY FAY GJETER IN OSLO

NORWAY yesterday agreed to a European Community request that it should support the EEC boycott of Argentine imports. The decision was taken despite the fact that the Argentine threat to retaliate with a boycott of Norwegian shipping and SAS, the airline owned jointly by Norway, Sweden and Denmark.

To enforce the ban a special law will have to be passed by Parliament, which it is expected

to do later this week. Mr Synn Stray, Norway's Foreign Minister, yesterday condemned Argentina's occupation of the Falkland Islands as "a clear violation of international law."

He told Parliament that the Argentine action was "yet another instance of the use of military force to solve a political problem" and said it constituted an act of aggression against the island's inhabitants.

Lloyds may drop Uruguay loan

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

LYDD'S BANK was understood yesterday to be pulling out of a \$100m (£50m) credit for Uruguay as the impact of Britain's freeze on Argentine assets began to be felt by other borrowers in Latin America.

The loan in question is intended to finance the Salto Grande hydroelectric project between Uruguay and Argentina. It was originally launched last December on the basis of a 3-1 per cent margin over London eurodollar rates and was close to being signed when the assets freeze was announced.

Lloyds Bank would not comment on the situation yesterday but it was understood to have decided not to put up any money for the loan because of Argentinian involvement in the

project. The loan is guaranteed by Uruguay's central bank.

This means Lloyds will no longer act as agent for the operation, although it is believed to be helping with work towards completion of the loan.

In a separate development, two Argentine banks have pulled out of a financial package being arranged through Lloyds for Brazil's merchant navy authority Sunamam. The banks are Banco de la Nación Argentina and Banco de la Provincia de Buenos Aires.

Their withdrawal was prompted in one case by a refusal on the part of Britain's Export Credit Guarantee Department to see an Argentine bank participating in a UK export credit facility, and in the other,

Morale high in the Doldrums

BY ROBERT FOX, ABOARD SS CANBERRA

THE Canberra is now sailing through the swasty zone of the Doldrums, after a surprise refuelling stop at Freeport, Sierra Leone.

Whatever notions of lassitude these regions conjure up from marine folklore, morale among the 2,000 paratroopers and Marines aboard has been high.

The Canberra entered Freeport to refuel and replenish supplies—the shortage of light beers and soft drinks is giving some concern.

Despite the ordering of 250,000 cans of beer and 2,800 gallons of drab beer at Southampton, some stocks had to be left on the deckside to accommodate military supplies.

As the Canberra drew alongside the fueling jetty, there were scenes of half a century ago—ones that Evelyn Waugh might have penned.

Hundreds of soldiers hung over the rail shouting at the few well-wishers ashore waving paper Union Jacks. As bumps came up, there was some trading in sovereigns until the order was given to desist.

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Before you make any decision on buying your next car, check all the facts.

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Some of the Austin Rover facts are laid out here.

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You be the judge; we know you'll go straight to your Austin Rover showroom.

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Recent events in the motor industry have only served to highlight just how competitive Austin Rover prices have always been. These are the prices that spell real value for money.

Check the facts.

Austin Mini Saloons	from £2,999*
Austin Metro	from £3,250
Austin Allegro	from £3,900
Morris Ital	from £4,367
Triumph Acclaim	from £4,829
Austin Ambassador	from £5,106
Rover	from £7,450

The Fuel Economy Facts:

Austin Rover have always led the industry on outstanding fuel economy.

Because of their proven expertise, Austin Rover engineers have achieved these excellent economy figures to save you money, without sacrificing all-round performance.

Check the facts.

	MPG at 56 MPH
Austin Metro HLE (£4,300)	58.3
Austin Allegro 1.3L (£4,199)	49.6
Triumph Acclaim (£4,829)	48.8
Austin Mini City (£2,999)	48.5
Morris Ital 1.3L (£4,367)	45.0
Rover 2000 (£7,450)	42.6
Austin Ambassador 1.7L (£5,106)	42.0

The Service Facts:

The Austin Metro led the industry with 12,000 mile/

12 month servicing—a benefit now also enjoyed by the Rover and Austin Ambassador ranges.

The same engineering leadership has cut servicing costs on all Austin Rover Group cars.

Along with consistently lower spare parts pricing. All designed to save you money.

Check the facts.

The Insurance Facts:

With Austin Rover engineers working closely with the motor insurance industry on the development of less expensive methods and components for repair, we

ensure the most competitive insurance rating for every model. Check the facts.

The Specification Facts:

Austin Rover Group have moved rapidly in the last two years to make every model in their range a winner.

Across the range enhancements, from acoustic refinement to glamorous new clearcoat metallic paint choices, are combined with an exciting new model programme—the award-winning Austin Metro, the totally-equipped Triumph Acclaim, the advanced new Rovers, and the spacious, luxurious Austin Ambassador.

Take a look at our specifications.

Check the facts.

The Quality and Reliability Facts:

Austin Rover Group have invested massively in new standards of quality.

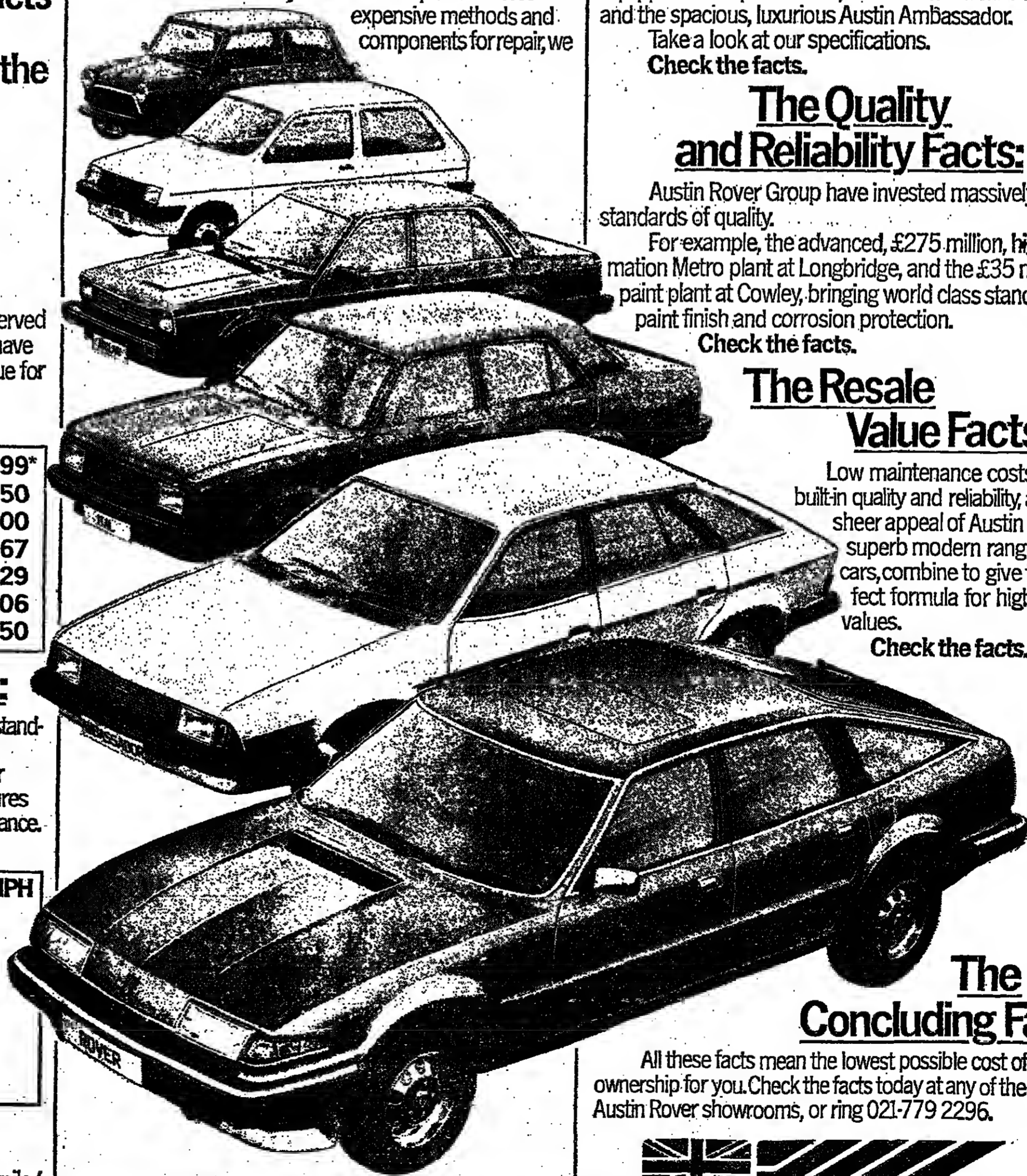
For example, the advanced, £275 million, high automation Metro plant at Longbridge, and the £35 million paint plant at Cowley, bringing world class standards in paint finish and corrosion protection.

Check the facts.

The Resale Value Facts:

Low maintenance costs, built-in quality and reliability, and the sheer appeal of Austin Rover's superb modern range of cars, combine to give the perfect formula for high resale values.

Check the facts.



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Austin Rover Group

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OFFICIAL D.O.T. FIGURES (MANUAL MODELS ONLY). METRO 1.0 HLE: URBAN CYCLE 41.5 MPG (6.8L/100 KM); 56 MPH (90 KPH) 58.3 MPG (4.8L/100 KM); 75 MPH (120 KPH) 41.7 MPG (6.8L/100 KM). ALLEGRO 1.3: URBAN CYCLE 32.5 MPG (8.7L/100 KM); 56 MPH (90 KPH) 49.6 MPG (5.7L/100 KM); 75 MPH (120 KPH) 35.5 MPG (8.0L/100 KM). TRIUMPH ACCLAIM: URBAN CYCLE 32.8 MPG (8.6L/100 KM); 56 MPH (90 KPH) 43.8 MPG (5.5L/100 KM); 75 MPH (120 KPH) 34.0 MPG (8.3L/100 KM). MINI CITY: URBAN CYCLE 28.8 MPG (7.5L/100 KM); 56 MPH (90 KPH) 48.5 MPG (5.8L/100 KM); 75 MPH (120 KPH) 33.0 MPG (8.5L/100 KM). MORRIS ITAL: URBAN CYCLE 23.9 MPG (11.8L/100 KM); 56 MPH (90 KPH) 42.6 MPG (6.8L/100 KM); 75 MPH (120 KPH) 32.7 MPG (8.6L/100 KM). AMBASSADOR 1.7 L: URBAN CYCLE 28.6 MPG (9.9L/100 KM); 56 MPH (90 KPH) 42.0 MPG (6.7L/100 KM); 75 MPH (120 KPH) 32.1 MPG (8.8L/100 KM). PRICES QUOTED ARE MANUFACTURER'S MAXIMUM RECOMMENDED RETAIL PRICES AND INCLUDE V.A.T. AND CAR TAX, NUMBER PLATES, SEAT BELTS AND DELIVERY EXTRA. CLEARCOAT METALLIC PAINTS OFFICIAL EXTRA ON SEVERAL MODELS.

AMERICAN NEWS

Budget compromise 'this week'

BY ANATOLE KALETSKY IN WASHINGTON

A BIPARTISAN group of congressional leaders and White House officials is "in the home stretch" on reaching a compromise over the 1983 budget, according to Senator Robert Dole, Senate Finance Committee chairman.

After a long meeting on Sunday, Mr. Dole, Mr. James Baker, the White House Chief of Staff, Mr. Donald Regan, Treasury Secretary, and three other leaders from the Senate and House of Representatives, agreed that a compromise proposal should be ready before the end of this week.

The aim of the compromise, according to Mr. Howard Baker, Senate majority leader,

would be to reduce a budget deficit which could reach \$180bn in 1983 (\$100bn) in the absence of new measures, to something less than \$100bn. President Reagan originally claimed that his own 1983 budget would produce a deficit of only \$91.5bn.

However, nobody in Congress now appears willing to stand by either the President's economic assumptions or the political judgment that his programme of public spending cuts would be achievable. Hence the view that the deficit could soar to a previously unimaginable level without a new budget.

The core of a budget com-

promise is likely to be a tax surcharge of 4 per cent, directed primarily at the higher-paid, a possible levy on oil imports, cuts in the Reagan military build-up, and perhaps a proposal to cut cost-of-living increases on social security pensions.

All of the individual politicians taking part in the budget negotiations have at one time or another expressed their support for most of these ideas.

It is still questionable, whether any compromise along these lines would be acceptable either to President Reagan or to the most powerful figure among the Demo-

crats in Congress, Mr. Tip O'Neill, Speaker of the House of Representatives.

It is generally held by politicians in Washington that a compromise without endorsement by both Mr. O'Neill and the President would soon founder in Congress and could, in any case, be vetoed by the President.

While President Reagan is clearly concerned to get a budget through Congress and has repeatedly made conciliatory noises towards his opponents on this issue, he has indicated even more explicitly that tax increases and military spending cuts would not be acceptable.

Week of N-protests in U.S.

By Anatole Kalinsky in Washington

BETWEEN 10m and 20m people in the U.S. are expected to take part this week in a nationwide campaign of demonstrations, lectures and other "happenings" designed to alert the country to the danger of nuclear war.

"Ground zero" week, named after the military term for the exact position targeted by a nuclear weapon, is the outcome of nearly two years of organising by two brothers, Roger and Earl Molander, one of whom was an arms control expert in the Pentagon and the National Security Council under Presidents Carter and Ford.

Their organisation has been transformed from an obscure fringe group whose aims had seemed to be at odds with the political climate of the time. With the growth of the nuclear protest movement in the U.S., "ground zero" and the Molander brothers have suddenly won national coverage as the vanguard of a campaign that appears to be winning influential adherents daily.

The protest week will involve activities in 650 towns

Tough line against U.S. interest rates

BY JIM RISK IN OTTAWA

FRANCE'S President Francois Mitterrand and Canadian Prime Minister Pierre Trudeau have predicted that President Ronald Reagan would face a united front of allies demanding a change in U.S. interest rate policies at the Versailles summit in June.

Mr. Mitterrand and Mr. Trudeau were speaking after several hours of private talks in Vancouver on Sunday.

While France has long since lost patience with U.S. policies, Mr. Trudeau, who flew to the meeting after seeing the Queen off from Ottawa at the end of last weekend's constitutional ceremonies, took a significantly tougher line against high U.S. interest rates than he had at last summer's summit in Ottawa.

"The U.S. said 'be patient' last summer, and that if we waited six to eight months, interest rates would decline. They haven't and we're all disappointed... Canada's position is not different from the European or the Japanese position. We want lower interest rates," the Canadian Prime

Minister told reporters after the meeting.

The meeting was held during a stopover on Mr. Mitterrand's flight home to Paris from Japan.

Both leaders went out of their way to point out that they did not expect the summit to be a stopover on Mr. Mitterrand's flight home to Paris from Japan.

French officials told reporters that while other summit nations were lined up against the U.S. on interest rates, they were also lined up against Japan for the increase in its exports to their markets.

French officials tried with little success to sell their Canadian counterpart the idea that a reversal to a system of more fixed exchange rates—albeit fluctuating within wider bands than in the Bretton Woods system—would facilitate a reduction in interest rates. Mr. Trudeau was seen to be receptive to the suggestion of an international meeting on monetary reform.

Troops on patrol in Colombia

BOGOTA.—Troops patrolled Colombia's major cities yesterday, the 12th anniversary of the founding of the April 19 guerrilla movement in the country.

In the past, the guerrilla organisation, known in Colombia as FARC, has exploded small bombs at government offices and political parties' headquarters. Soldiers in jeeps mounted with machine guns patrolled streets in Cali, Medellin, Bucaramanga and the capital, Bogota.

The M-19 declared "total war" against the Government and the armed forces two months ago, because of the Government's refusal to grant unconditional amnesty to left-wing guerrillas.

AP

Activists killed in Dominican Republic

Two opposition party activists were killed in a second of political violence in the Dominican Republic as presidential elections approach. Reuter reports from Santo Domingo.

American Motors agrees cost-cutting deal

BY DAVID LASCELLES IN NEW YORK

AMERICAN MOTORS, the smallest of the U.S. car companies, has reached agreement with its unions on financial concessions to help it through the sales slump.

If the deal is ratified, all the U.S. car manufacturers will have secured agreements aimed at cutting costs and improving profits.

The AMC deal differs from recently negotiated pacts with General Motors and Ford in that the unions will make pay concessions in the form of a loan to the company. The other car makers offered shares in profits. At Chrysler, the concessions were negotiated two years ago as part of the operation to

keep the group alive.

AMC's 14,000 workers will give up six quarterly cost-of-living increases and annual pay rises of 3 per cent for the next three years. They will also take fewer paid days off.

The savings, estimated at \$150m (\$57m), will be repaid to the workers at 10 per cent

interest starting in 1985. AMC hopes to bring this up to \$150m with concessions from salaried workers as well.

In return, AMC agreed to contract out less work, to keep more plants open and help laid-off workers. These concessions are similar to those granted by Ford and General Motors.

Oil sector holds key to Ecuador's economic rejuvenation

BY PHILIP MARVIN

"IT IS like trying to stop a train which is running at full speed by putting your leg out," the slight note of despair in the voice of Sr Jaime Morillo, Ecuadorian Finance Minister, was hardly surprising. He was referring to the awesome task his government faces in the next couple of years in trying to persuade the Ecuadorian population that the oil generated "boom" times are over and that the new austerity programme has now become a necessity.

Sr Morillo was in London recently on a propaganda mission designed to persuade bankers that despite plummeting prices for the country's dwindling oil production, Ecuador is taking appropriate measures to meet what Morillo admits will be a "very difficult next few years."

Sr Morillo said he was well aware of the apprehension among bankers with regard to the country's growing foreign debt—presently standing at

around \$5.5bn (\$3.1bn) and expected significantly to increase in the next few years.

This concern was particularly evident at the beginning of April when Ecuador was reported to be seeking a \$900m Euroloan for the private sector with a three-year maturity. Considering the size of the country's GDP (around \$15.5bn in 1981) and its already significant financial exposure on the international market, the decision to make further short-term borrowings of such magnitude caused considerable dismay. But Sr Morillo brushed these doubts aside.

"I must emphasise that this \$900m is not a loan but a line of credit which is being provided to help out our private sector in difficult economic times. Of this total we only expect some \$500m to be taken up."

In fact, the news that the government planned to use these funds to help the private sector to roll over its \$900m of foreign debt has, as the govern-

ment hoped, helped to stem the recent run on the sucre. Although officially quoted at 26 to the dollar it has recently climbed as high as 46 to the dollar on the free market.

The rush for free market dollars was a timely reminder to the government of the fears both inside and outside the country regarding economic prospects. In direct response to the currency market panic the government recently instigated what has been described by opposition leaders as a "disguised devaluation."

This description, both denied by the government, refers to the introduction of a complex multi-tier system of exchange rates for the sucre based on the different types of transactions. This move is intended to stimulate exports, cut back imports and ease the country's growing balance of payments problem. But there are fears that the effect on the balance of trade will be minimal, that contra-

ban will increase and that inflation currently estimated to hover at around 14-15 per cent this year will rise to 20 per cent.

As far as public sector financing is concerned Sr Morillo says the government will be seeking some \$1.2bn on international markets this year. Of this some \$500m will be used as investment for specific projects under the central government budget, \$150m for petroleum exploration and exploitation, and \$150m for other energy sectors particularly hydroelectricity.

"We have already committed ourselves to about \$400m so far this year and expect to go out into the market before the end of June for another \$300m. The difference will be made up in the second half of the year."

Altogether the country's total outstanding foreign debt is presently estimated to rise to \$6.6bn for 1982 but this is based on estimates that the economy would grow by 4.5 per cent in 1982. "My personal opinion,

says Morillo, is that growth this year will be 2-3 per cent and therefore our total external debt may rise only to \$6bn by end-1982."

It is the oil sector however that holds the key to the country's economic and indeed political future. Declining world oil prices will lose the country over \$140m in expected revenues this year—the 1982 budget was estimated on an average \$34 per barrel price. Several projects including a large steel mill and a highway system have had to be cancelled and only high priority projects still have a green light.

Prime among these is oil exploration and exploitation. Ecuador's crude production has recently been reduced to 200,000 b/d in line with recent Opec moves. Half of this total is exported. Meanwhile crude reserves are dwindling at an alarming rate. Some estimates put them as low as 650m barrels.

Sr Morillo was emphasising

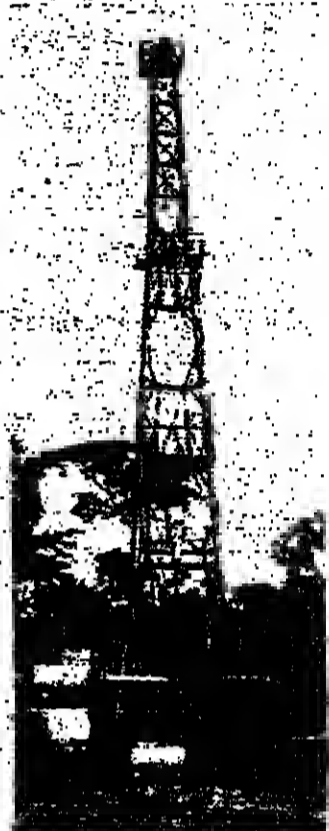
recent discoveries during his trip: "We still have a lot of resources in the petroleum sector—the new finds in the Gulf of Guayaquil give us a new perspective." Although these finds have not yet been properly evaluated, Morillo estimates that within the next two years these fields will be producing 25,000 b/d. This production, added to the extra 25,000 b/d coming on stream from state oil company CEPE's Oriente jungle fields in around October of this year, should take care of the country's short-term needs. The importance of the new fields can be seen considering that in 1981 petroleum accounted for 9.9 per cent of GDP and oil exports for 67.2 per cent of total exports.

Reserves in 1981 were only \$65m and there was a \$28m current account payments deficit. While these finds should allow the country to maintain its reserves in the next five years, future needs will have to be met by committing large

sums to oil exploration and development. That is why the government is planning new exploration contracts to draw foreign companies. It will be introducing a new "service" system whereby companies that strike oil will be able to recover from the government their investment plus a "reasonable" profit and a right to purchase a significant percentage of the crude discovered.

Foreign companies will pay a fixed income-tax based on production not reserves. Companies that are not successful, however, will have to absorb their own costs. "Unless we pass a law that is going to be acceptable to the oil companies," says Sr Morillo, "we are wasting our time."

While this exploration effort is being made, the government also intends to take stiff measures with regard to rising domestic oil consumption. Teraco's Sacha oil camp (right) in Ecuador, whose Government is trying to draw foreign companies



Iran issues threat to boycott goods from Japan

BY JAMES DORSEY IN KUWAIT

IRAN has threatened to boycott Japanese goods unless Japan agrees to buy Iranian crude.

Western oil experts say Japanese traders have been forced to buy 20m barrels of oil since the end of last month in order to ensure their market position in Iran.

Japanese oil companies have refused to sign contracts for Iranian crude for some time. But Japanese trading houses eager to export to Iran are more vulnerable to Iranian pressure. Among the trading houses concerned are Mitsui, Mitsubishi, C. Itoh, Kanamaru and Marubeni.

The Japanese trading houses are believed to have paid an average of \$26 a barrel for Iranian crude bought recently on the spot market. Only part of the 20m barrels purchased so far has returned to Japan. The greater part is sold to third

countries.

Western oil experts doubt whether the Japanese trading houses will be able to maintain their current level of spot market purchases. These experts say that Iran will have to relax its pressure if it wished to continue its trade relations with Japan.

Last year, Japanese refineries had contracts in Iran for 200,000 barrels a day. The present push to buy Iranian crude "too late." Iranian oil exports are estimated to be approximately 1m barrels a day plus spot market sales.

U.S. trade policy with Moscow under attack

BY LESLIE COLLITT IN BERLIN

THE PRESIDENT of the West German Chamber of Industry and Commerce has strongly criticised what he called the U.S. trade policy of "reward or punishment" against the Soviet Union and Poland.

Herr Otto Wolf von Amerongen said that although the U.S. had a "long tradition" of this policy, it was never successful.

Herr Wolf, who also heads the Eastern Trade Council of German Industry, said U.S. efforts to tighten the CoCom list of restrictions on the export of strategic goods to Warsaw Pact countries could backfire if the controls are greatly widened. CoCom is the co-ordinating committee on export controls which meets periodically in Paris to review the list of restricted goods.

The U.S. earlier this year refused to allow General Electric to deliver vital components for gas turbines which the Soviet Union ordered from West Germany for the natural gas pipeline from Western Siberia to Western Europe. Herr von Amerongen said that a significant expansion of CoCom's controls increases the

risk that they will be circumvented.

He noted that the neutral European countries which do not belong to CoCom—Switzerland, Austria, Sweden and Finland—could be used to funnel goods on the list to Eastern Europe.

Westerners trading with Comecon say the neutral European countries have long been used by the subsidiaries of U.S. and Western European companies to sell high technology products on the CoCom list to the Soviet Union and its allies.

Herr von Amerongen, writing in a European Community journal said it was far easier for Washington to restrict trade with the East than for the Western Europeans.

The U.S. sells only one third of the volume of goods which Western European countries export to Comecon. He noted that the Europeans exported mainly machinery and industrial equipment, whose sale was more complicated and long-term in nature than the marketing of grain, which makes up the bulk of U.S. exports to Comecon.



Mr Doug Anthony

Australia in talks with N. Zealand

By Dal Hayward in Wellington

CLOSER economic relations between New Zealand and Australia will depend on how many concessions New Zealand is prepared to make to Mr Doug Anthony, Australia's Foreign Minister, during the next two days. Mr Anthony arrived in New Zealand last night.

Before leaving Australia, he said two stumbling-blocks to closer links were New Zealand's import licensing system and its export incentive scheme for manufacturers and exporters.

Yesterday, Mr Robert Muldoon, New Zealand's Prime Minister, was confident that all problems could be resolved. He felt "we are very close to making a deal."

New Zealand was prepared to agree on the main principles, and if Mr Anthony and his government were also prepared, then closer ties could be forged.

Asked specifically about import licensing and export incentives, Mr Muldoon said: "We are very close."

Australia has been pressing New Zealand to announce a date for the ending of export incentives, and New Zealand officials have been assuring the Australians that the incentives would.

Both New Zealand and Australia are anxious to sign an agreement on closer economic ties. Mr Muldoon said that he hoped it would be operating by January 1, 1983. However, there are several details which the Australian Federal Government and the Australian state governments still have to agree.

WORLD TRADE NEWS

India may build Mirage 2000s under licence

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Government, which has already decided to buy 40 Mirage 2000 aircraft from Avions Dassault-Breguet for \$800m (\$444m) is still pondering a proposal to manufacture the sophisticated fighter under licence. Much will depend on the progress of talks to be held with rivals of the French company.

The main contender is the Soviet Union, which has offered the Indians what amounts to a *carte blanche*—mostly for the political reason that it wants to remain the main supplier of defence equipment to India. It is backed by soft financial terms that the New Delhi Government cannot ignore because of the severe pressure on its balance of payments.

Russia has offered India the "latest of its MIG aircraft" according to the Soviet Defence Minister, Marshal Dmitri Ustinov, who visited New Delhi in March at the head of the most high-powered Russian defence delegation ever to visit a non-Communist country.

The terms are thought to be much softer than the 9.5 per cent annual interest rate to be charged by France in the Mirage deal.

The Indian Defence Ministry is currently discussing two proposals with the Soviet Union. If

both go through as expected, they will give the Indian Air Force the most powerful strike power in the region.

The first is for the manufacture under licence of the MIG-23, at least five squadrons of which are already in service with the Air Force. This is considered more urgent and it goes through, it will gradually enable Hindustan Aeronautics to shift production after a couple of years from the improved version of the MIG-21 it is now making.

Linked with this is the proposal to manufacture the MIG-27 under licence. The ground-attack MIG-23 aircraft is intended to serve the needs of the air force in the next decade or so and the MIG-27—improved interceptor version now in service in the Russian air force—is intended to be used later.

Many Defence experts argue that the MIG-27 is as good an aircraft as the Mirage 2000 and has the advantage of being much cheaper. The price has been set low for political reasons. "The 'baiting' offer might have been accepted without debate had the Government not taken a firm decision to diversify its sources of supply and not become excessively



The Mirage 2000—India ponders production

dependent on the Russians.

The Defence Ministry must also make its choice in the light of the proposal that Hindustan Aeronautics should design and manufacture its own light combat aircraft for the 1990s. The company has developed its own expertise but it is also considering offers from foreign collaborators for this new project. The most attractive offer discussed so far came from British Aerospace.

British Aerospace's chances are thought to be bright because

of the technology on offer and also the attractive financial package that is expected to accompany it.

There is also considerable political pressure from the UK. The Indian Government will shortly formally terminate the agreement with British Aerospace on the Jaguar strike aircraft. Only the first two parts of the original contract—the outright purchase of 40 aircraft and the assembly of another 45—will be completed. The final part of the agreement, provid-

ing for the manufacture of another 60 Jaguars, is to be scrapped.

The Soviet Union, Britain and France are thus competing for development of the defence aircraft industry in India. All the options involve multi-role, high-technology aircraft projects which fall within India's policy of acquiring the know-how to manufacture any defence equipment that it buys abroad. Given the funds, however, the Defence Ministry would like to acquire all the aircraft over the next couple of decades. This possibility cannot be ruled out.

Whatever the decision, Hindustan Aeronautics will become one of the most versatile defence companies in the world. It has so far manufactured about 2,400 aircraft of all kinds worth more than Rs 100bn (\$5.1bn), about 850 of which were based on its own designs. At present, it is concentrating on manufacture of the improved MIG-21 and assembly of the Jaguar, although its product mix includes a range of other aircraft including jet fighters, helicopters, trainers and planes for agricultural spraying. Its export earnings are roughly Rs 15m a year, mainly from sales of accessories, and these are expected to double in 1982-83.

CAB ruling 'could threaten U.S. air transport'

BY LYNTON McJAIN

A WARNING that U.S. air transport interests in South America could be replaced by Cuban and Soviet air services as a result of a recent ruling by the U.S. Civil Aeronautics Board was given in London yesterday by Mr C. Edward Ackler, chairman and chief executive of Pan American World Airways.

Pan Am's interim application to start services on the South American routes on April 25 of the financially-troubled Braniff airline was turned down last week by the CAB. A final decision is expected at the end of July.

The two airlines had entered into an interim operating and joint service agreement for Pan

Am to operate all Braniff's South American routes, except from the U.S. to Venezuela, for the next four years.

The agreement would have eased Braniff's cash flow problems after the injection of \$20m (\$11.1m) from Pan Am for the use on the routes. Pan Am had also planned to take on 300 Braniff employees.

The refusal of the CAB to grant interim approval to the Pan Am/Braniff route agreement would result in a "desperate" position for Braniff, Mr Ackler said in London before addressing Pan Am staff.

Pan Am believed that Braniff had a "good route network in South America, with many intermediate stops."

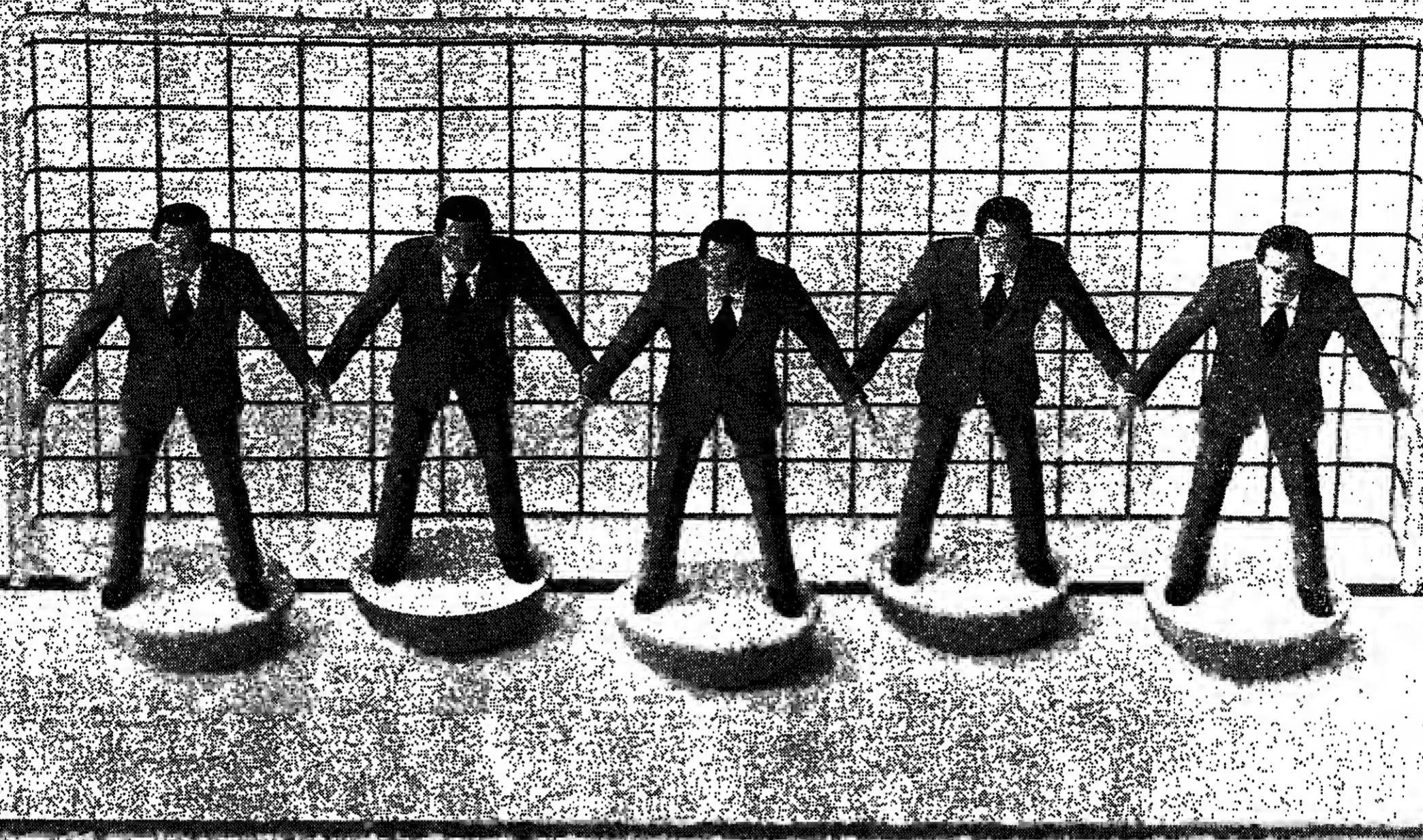
Toyota unit in link with Italy

TOKYO.—Toyota Motor's Daihatsu Motor subsidiary said it will supply 20,000 engines in 1982 to Italian carmaker Nuova Innocenti to replace an engine supply contract held formerly by Britain's state-owned BL.

A Daihatsu spokesman said the Daihatsu 1,000 cc engine will be mounted in three Innocenti models from next month following expiry of BL's supply contract.

Reuter reports from Bonn: After capturing 10 per cent of the West German car market, Japanese manufacturers are mounting a strong challenge in the commercial vehicle sector. While overall sales of trucks, the most important part of the commercial sector, fell by 18 per cent last year to 124,960 because of the recession, Japanese companies raised their sales by 49 per cent to 6,250, according to official statistics.

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PEOPLE WHERE IT COUNTS.

UK NEWS

Edwardes' BL pay £95,000 for 1981

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL'S ANNUAL report today reveals for the first time the pay received by Sir Michael Edwardes, the chairman—£95,500 for 1981.

In the past the position has been complicated by the fact that until April last year Sir Michael continued to be employed by his former company, Chloride, and BL paid a management fee for his services.

The accounts show his 1980 pay as £65,400, but state: "The figures do not reflect the comparable cost to BL for the two years."

BL maintains that the management charge paid to Chloride for Sir Michael's services was close to £90,000 a year during his 41-month secondment.

"The cost to BL of the chairman's remuneration for this current 21-month assignment is 16.7 per cent higher than the management charge paid to Chloride."

"Over the full five years, this is less than increases to the shopfloor and less than increases to the top 100 managers."

Sir Michael's contract with

BL expires in December, and he has indicated that he will step down from the chairmanship then.

In his statement he maintains: "I shall do so in the firm belief that the company now has the depth of management, the determination of employees, the confidence of suppliers, dealers and customers and the products across the complete range to complete the recovery strategy by 1983-84."

The report shows a marked reduction in capital expenditure by BL last year. It went down from £284.1m in 1980 to £200.8m. Sir Michael insists that this was achieved "without affecting the essential new model and facilities programme."

Since the new model programme began in earnest in October 1980 with the launch of the Metro, BL has introduced 20 important models (seven cars, five light commercial vehicles, six truck derivatives and two bus and coaches).

"This programme will be accelerated throughout 1982 with the announcement of a

further 23 new models across cars, commercial vehicles and Land Rover during the next 18 months."

BL's cash outflow last year was held steady at £383.3m compared with £381.5m in 1980. The Government injected a further £314.7m in exchange for more equity (£295.4m in 1980). The consolidated accounts drawn up on a current cost basis show a current cost loss for 1981 of £585m after extraordinary items compared with a £609.1m loss the previous year.

Sir Michael repeats his forecast that the group's losses—down from £535.5m to £497m last year—should be reduced further this year and the company should approach break-even at the trading level (that is before tax and interest) in 1983 and at the pre-tax level in 1984.

"BL is through the first phase of recovery; that of sheer survival which was the prime objective between 1977 and 1981; phase two, of product-led revival will continue until the full product range has been renewed towards the end of next year."

Saab (GB) receives extra £2m boost

By Kenneth Gooding, Motor Industry Correspondent

ANOTHER £2m has been pumped into Saab (Great Britain) by its parent group, Saab-Scania of Sweden, to support the continued growth of the UK subsidiary.

The injection will increase the issued capital of the British offshoot from £6m to £8m at a time when it has established itself firmly as Saab's second-largest export market.

This year Saab (GB) expects to sell 10,000 cars compared with the 9,481 registered in 1981. To put this in perspective, the parent group produced only 74,000 cars last year and expects the total to rise to about 78,500 in 1982.

Only the U.S. ranks ahead of Britain in the export league. Last year the U.S. took 14,500 Saabs and this is expected to go up to at least 15,000 in spite of the continuing recession in the American new car market.

Following a management reorganisation at the UK subsidiary in 1978, Saab car sales in Britain have risen from 6,407 while turnover in the same period (including spares, accessories and retail outlets) increased from £22.55m to £37.26m last year.

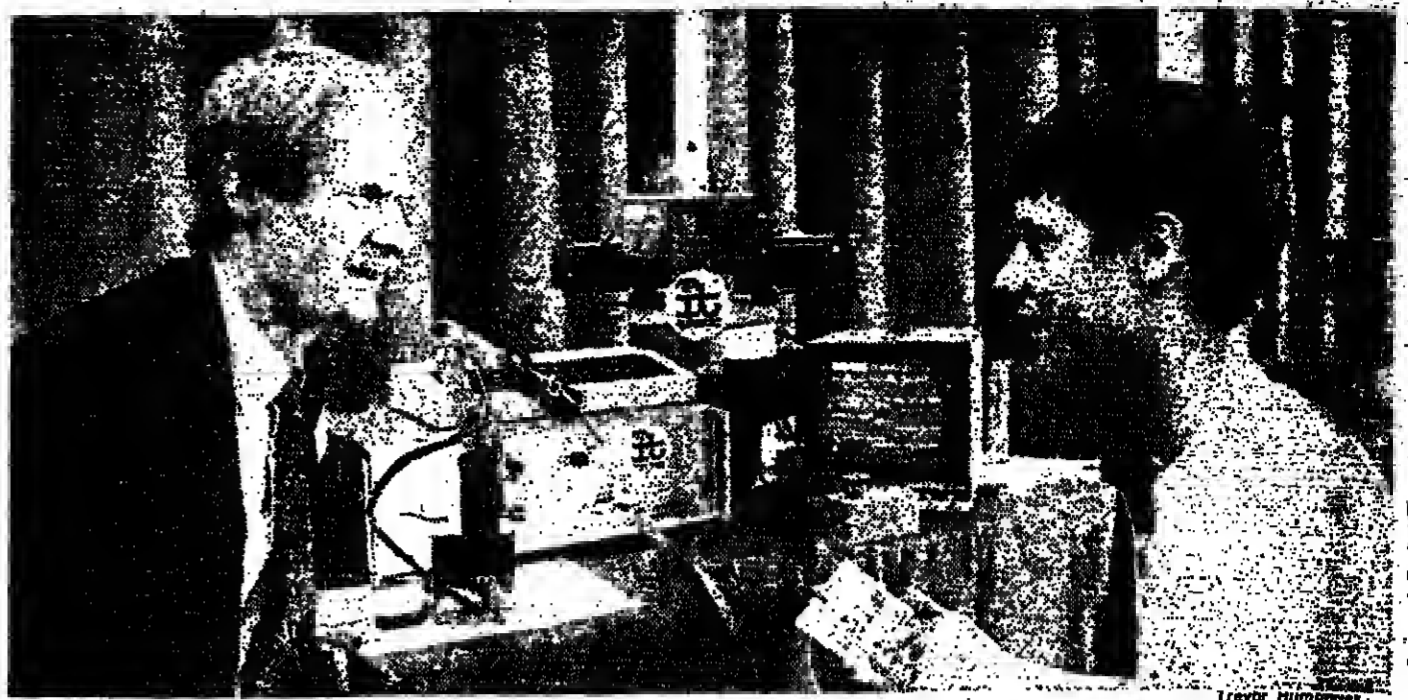
The British company made a loss in 1978 but recorded profits from 1979 onwards. Sales of £85m are projected for 1982.

This summer it will formally open a purpose-built spare parts and after-sales centre at Northampton. Although the building is leased, Saab (GB) has spent £1.5m on equipment for the centre.

The company has also acquired another main dealership, the Spur Garage (Wimbledon) which previously handled Renault cars for an undisclosed sum.

It maintains this is a "key acquisition" to fill a long-standing gap in its 180-strong distribution network. Saab has four retail dealerships now—the others are in central London, Manchester and Farnham Common, Bucks—but has no deliberate policy to become more involved in the retail car market.

In its home market Saab sold 25,500 cars last year. Nearly half the group's output goes to the Nordic markets, with Finland as the third best export territory taking 5,900 cars.



Mr John Bird watches Joachim Holmes operate a Smart-Arms robot

SUMMER holiday computer camps for children are springing up all over Britain. The camps, which started in California two years ago, combine teaching children how to use microcomputers with sports and other recreations in the summer holidays.

Yesterday, Dolphin Camps, a new company announced the setting up of a number of computer camps for children between 12 and 17.

Dolphin is being supported by the Department of Industry as part of Information Technology year so the price of the courses can be kept down. The department has given Dolphin £6,000 and private individuals have backed it with £10,000.

Acorn, the Cambridge based

Holiday computer camps for children catch on

BY JASON CRISP

company which makes the BBC computer, Texas Instruments and Apple, are all lending the camps microcomputers. The camps are being run in close association with Beaumont Summer Camps which last year started Britain's first computer camp.

Dolphin is offering courses at three of Beaumont's holiday camps, at Mill Hill in North London and Sevenoaks in Kent. The Lake District course is residential. The

Dolphin courses cost a basic £70 for a week, and offer several other activities from robotics to cartoon animation. During the week the children are picked up from a number of points in London, taken to the camps each day and then taken back in the evening.

Although the children are encouraged to participate in other activities such as swimming and sailing it was found in the U.S. and at the

Beaumont course last year that some became addicted to the computers.

Children have much less fear of computers than adults and quickly learn how to use them.

Beaumont Summer Camps also runs its own computer camps at Windsor, where last year's were started, and at Knutsford in Cheshire.

Another computer camp for teenagers and adults is being set up by Dr Lionel Wardle, a management consultant, at Southampton University. At Millfield, the public school in Somerset, which runs a wide range of activity holidays, there are two computer courses, one for children under 14 and one for teenagers and adults.

Navy ships 'keep good speed on one engine'

BY DAVID FISHLICK, SCIENCE EDITOR

SHIPS OF THE Navy's Falklands task force will still be able to maintain good speed even with three or four gas turbine engines knocked out by enemy action, a senior Navy officer told an engineering conference at Wembley yesterday.

The latest Type 21 class destroyers and Type 22 class frigates could maintain a speed of 20 knots on a single Olympus gas turbine engine, and 12 knots on a single Tyne engine, Commander R. A. Baller told the International Gas Turbine Conference.

These vessels are fitted with two Rolls-Royce Olympus engines for high powers and two Rolls-Royce Tyne engines

for cruising at up to about 20 knots.

Any one of the four engines could be used "so that even with both Tyne and one Olympus out of action the ship is still capable of about 20 knots and one Tyne will maintain 12 knots," Commander Baller said.

No single failure of the new propulsion system would require the ships to reduce speed below 18 knots.

It took only about one minute to bring another engine into service and a shaft, if damaged, could be brought to a stop in less than a minute.

Commander Baller said that, while the Navy had found it

good for morale to be able to perform like a gunboat and produce full power from standstill in less than 30 seconds, it had not proved so good for the machinery.

But the ability to stop from 30 knots in less than a minute was "arguably a more desirable attribute."

The full routine for bringing all systems from an auxiliary state to be ready for sea normally required two hours or more. But the propulsion system could be left in a state where it required less than five minutes' notice, "without any adverse effect."

Starting the engines took so little time "that it is confidently

claimed that the engineers can be ready before the seamen have let the ropes go."

The carrier Invincible, also part of the task force, is the biggest ship to be built for the Navy for more than 20 years, the conference was told.

Commander P. W. W. Ridley said the 19,000-tonne vessel which is fitted with four Olympus gas turbines looked end felt much larger than it was.

The Invincible spent 150 days at sea in its first year, travelling 34,000 miles. About one-quarter of this time was spent using only a single engine, and 9 per cent was spent using all four engines.

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Source: NRS (NCHRS) October 1980-September 1981.
Source: ABC July-December 1981.

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Lawyers blocked Budget's deal with De Lorean

By John Griffiths

BUDGET RENT-A-CAR Corporation of the U.S. was ready to sign a deal three weeks ago to buy up to 2,000 De Lorean sports cars, which would inject at least £20m into the troubled, UK Government-backed sports car venture over the next 12 months.

It still wants the cars. But it is understood to have been told by its lawyers that if the deal went ahead with Mr John De Lorean's U.S. sales company—the Belfast manufacturing operation is in receivership—Budget could not be certain it would hold legal title to the cars.

The situation surrounding the shelved Budget sale is of direct relevance to the £54m (£30m) rescue proposals put last week to Sir Kenneth Cork and Mr Paul Shewell, receivers for the Belfast operation.

The matter, that a substantial number of the cars delivered to Mr De Lorean's company in the U.S. still belong to the Belfast company, because it has not received about £20m in payment for them.

Mr De Lorean so far has refused to acknowledge that the debt exists, which is why

Budget's lawyers have advised against the purchase by the car rental company. Subsequently, Mr De Lorean is understood to have offered cars to its own dealers at a lower price.

Part of the scheme put by Mr De Lorean to the receivers is that another leasing organisation, Consolidated International, would pay £14m for 1,191 cars. This would be used partly to pay off Bank of America, which has halted the entire U.S. sales operation by obtaining court seizure of the 1,925-car U.S. stock pending payment of \$19m it says it is owed for financing the stocks.

If now appears essential to establish precisely who owns how many of the cars before the debt is acknowledged, and if some at least of the funds are used to make part payment to some of the Belfast company's suppliers—which in turn are owed about £20m—then it is possible that a deal could be agreed where Mr De Lorean's company would be allowed to lease the Belfast plant, or buy it on a long mortgage.

Harvest Air to fight oil slicks

By Andrew Fisher, Shipping Correspondent

HARVEST AIR of Southend will manage a fleet of eight aircraft to be used in Britain's airborne attack on future oil pollution around the coast, spraying chemicals over oil slicks.

The aircraft will be ready to fly off to emergencies at half an hour's notice during the day and two hours overnight.

Announcing the use of the aircraft, the Department of Trade said yesterday they would be based at Southend, Exeter, West Freugh near Stranraer and Kinloss, the latter two being Ministry of Defence airfields.

Harvest will provide six Britten Norman Islanders and two Douglas DC3s, converted to spray dispersants at low level at sea. The service will cost the Government £780,000 a year.

Four Islanders are now in service, with the others to be available in the next month or so. The DC3s will complete the full emergency service later this year.

All the aircraft are being converted to approved Civil Aviation Authority standards for aerial spraying before being accepted by the department.

The Islanders will carry one ton of dispersant each and the DC3s five tons.

Campaigners attack Official Secrets Act

By Belinda Nenk

A CAMPAIGN to replace official secrecy by a public right of access to information was launched yesterday by the National Consumer Council.

The council would like to see Section Two of the Official Secrets Act replaced by a statutory right of access to official information.

Section Two declares that all information is secret unless a senior official decides that it should be released.

The council launched its campaign with the publication of a book entitled "Consuming Secrets". The book deals with the way in which official secrecy affects people's everyday lives in Britain.

It points out, for example, that parents have no right to see the records a school keeps on their child, and that the Government knows the carbon monoxide levels in all brands of cigarettes but will not make the knowledge public.

Mr Michael Shanks, the council's chairman, said: "We believe everyone has the right to know the extent to which official secrecy affects our lives and that there should be a full

Congress lobbied on copyright

By Alan Pike, Industrial Correspondent

THE BRITISH printing industry has written to 100 U.S. Congressmen in the latest stage of a campaign to remove protectionist restrictions from American copyright law.

Under the manufacturing clause of the U.S. law full copyright protection is restricted to books printed in the U.S.

The clause—regarded by British printing companies as an unfair barrier at a time when American book producers have been making inroads into European markets—was due to be abolished this summer. But there is mounting pressure in the U.S. to retain the measure, at least for several years, and a Bill to do so is being sponsored in Congress.

Mr Stuart Henderson, commercial director of the British Printing Industries Federation, wrote in his letter to the Congressmen that perpetuation of the U.S. manufacturing clause "can only invite retaliation from its victims." This is illustrated by the concern being demonstrated by the EEC and British Government.

U.S. printers who were lobbying for retention of the clause had grossly exaggerated the damage they were likely to suffer.

Merseyside venture capital fund launched

By Ian Hamilton Faze

THE British Technology Group yesterday launched its experimental Merseyside Enterprise Fund with an initial £500,000 of venture capital for the creation and growth of new companies in the region. A similar sum will be available later.

The BTG also announced a partnership arrangement with the Merseyside Development Corporation that will provide "one stop shopping" for new companies setting up in the disused Liverpool dockland for which the corporation is responsible.

The arrangement, the first of its kind in the English region, will cover all aspects of industrial development, including premises, finance, and business counselling.

The Merseyside fund is part of the BTG's £20m programme unveiled last month to encourage more innovation and high technology in assisted areas.

An important aspect of the policy will be that investment decisions will be made locally by the fund's four-person board, three of whom are successful business leaders from the private sector. The fourth member is on the BTG staff.

Mr Arthur Ward, BTG director of regional affairs, said yesterday: "This is an experiment. We hope it will be a starter for private sector involvement in the future."

Each initial investment made by the fund will be up to £50,000 in ordinary preference shares. Additional arrangements might include bank guarantees and loans from the fund, or the private sector if more money were needed.

Mr Ward stressed the BTG did not want control of new companies although equity holdings of between 1 and 40 per cent were likely. Buy-back provisions could be made in any agreement to ensure maximum motivation for entrepreneurs.

The fund is to be managed by Sapling Enterprise—a joint company set up by the BTG and Collinson Grant Associates, the Manchester-based management consultants. Mr Len Collinson, its chairman, is on the fund's board, which will be chaired by Mr Tony Mould, head of the Seed House printing group.

The other private sector member is Mr Richard de Zouche, an accountant who is past chairman of the Merseyside Chamber of Commerce.

The new arrangements represent a major change in policy by the BTG, formed last year by the merger of the National Enterprise Board and the National Research and Development Corporation.

The Liverpool office, set up by the NEB in 1976, will concentrate on Merseyside projects and the new fund beneficiaries will be mainly new small companies.

Hopes raised for saving N. Ireland textile jobs

By Tim Dickson

HOPES that 300 textile jobs in Northern Ireland can be saved have been raised by a meeting scheduled for tomorrow between Mr James Prior, Secretary of State for Northern Ireland and Mr Christopher Hogg, chairman of Courtalds.

The meeting has been called to discuss the recently announced closure of the Brown and Adam dyeing and finishing works at Moygashel, near Dungannon, County Tyrone. Courtalds, says the plant—which is part of the world famous Moygashel group—is no longer viable, and proposes moving dyeing and finishing to another site in Rochdale, Lancashire.

A works action committee—with the help of politicians from both sides of the political and religious divide—has fought an impressive campaign in recent weeks to prevent the

closure. The committee fears that the proposed shutdown threatens another 460 jobs in the spinning and weaving section. If these were to go male unemployment in Dungannon could reach 50 per cent.

Representatives of the action committee met Mr Prior in Belfast on Saturday with their £4m modernisation plan to keep the works alive.

"They tried to clear up misunderstandings about the amount of government support needed to make Courtalds change its mind."

Officials have given us the impression that even if the Government put up all the money it would not have any effect," Mr Ken Woods, spokesman for the committee said yesterday. Some of us, however, were told at a meeting with Mr Hogg that if the taxpayer could find 75 per cent the company might well reconsider."

Unemployed teenagers in 'despair' at job chances

By Alan Pike, Industrial Correspondent

A SURVEY of unemployed teenagers at Newport, Gwent, produced the "astonishing result" that as many as 14 per cent thought they would never work again.

The percentage of people who believed they would never find further work was as high as 43 per cent for the 35-49 age group, but was 29 per cent for those aged 50-64, according to a report published today by the Community Projects Foundation.

However, the report points out that many people under 20 get back into work and far fewer than 43 per cent of those aged 35-49 remain unemployed.

"We must therefore take these perceptions more as a measure of their despair than as a realistic judgement of their chances of remaining unemployed," the report says.

The foundation, a Government-sponsored charity which helps develop new ways to regenerate community life, studied Newport following a reduction in employment at the British Steel Corporation's Llanwern works.

A survey of 300 households in two districts revealed that more than 21 per cent of people interviewed were unemployed, while 45 per cent of households had some experience of unemployment over the past two years.

"At the same time, 35 per cent of those in full-time employment felt insecure or very insecure about their future prospects."

Situation Vacant: The Social Consequences of Unemployment in a Welsh Town—Community Projects Foundation, £1.50.

Spending estimates attack

By Max Wilkinson, Economics Correspondent

THE TREASURY and Civil Service Committee criticised the Government yesterday for no longer publishing estimates of public spending in constant price terms.

It says in its fifth report, on the Government's expenditure plans 1982-83 to 1984-85, that the practice started this year of publishing only cash figures, makes it difficult to make an informed comparison

of the changes of real spending between years.

Accordingly the committee has published its estimate of the changes in public spending in constant price cost terms.

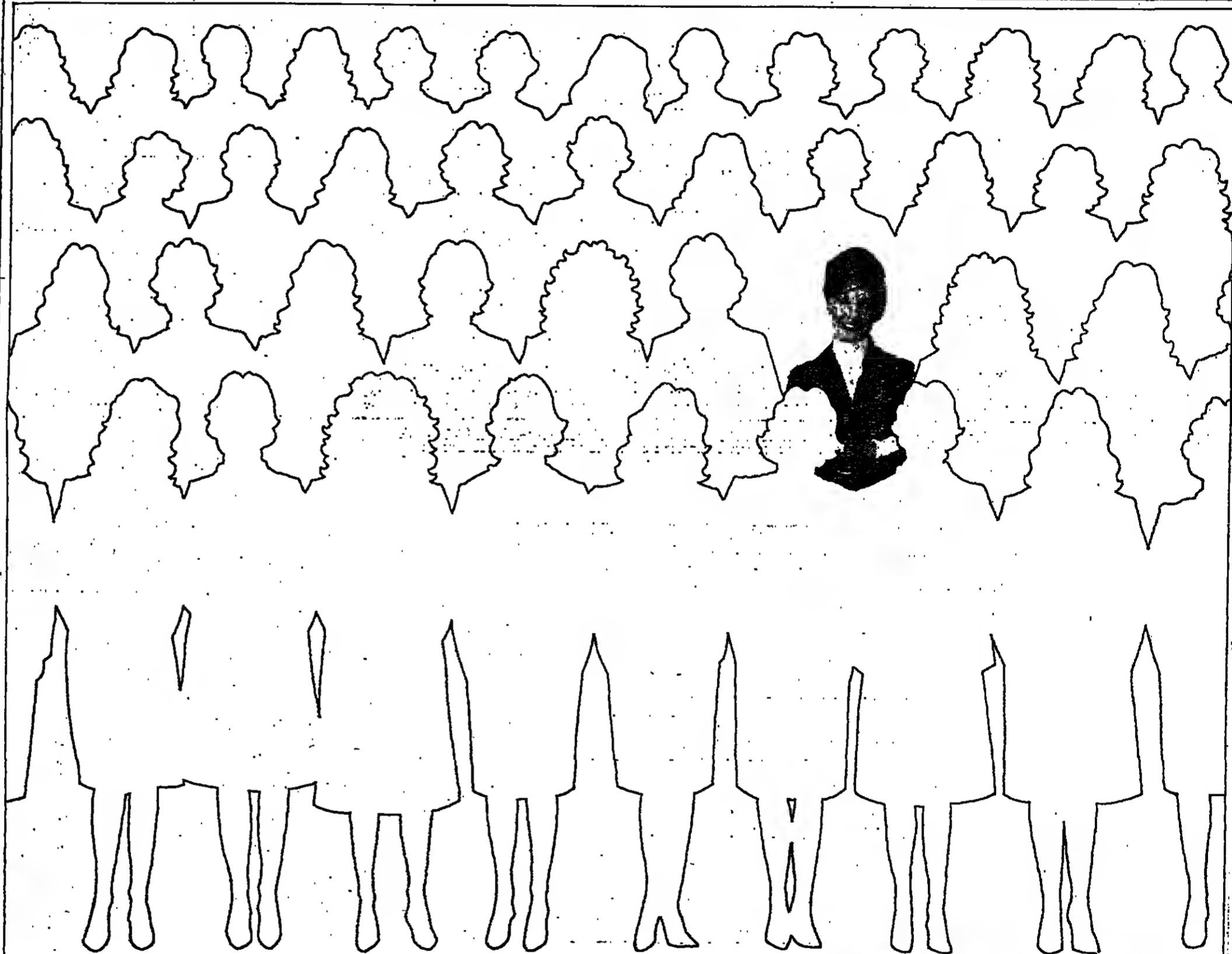
It has obtained these comparisons by reducing the cash figures given in the March White Paper on Public Spending in accordance with the inflation rates assumed for each year by the Treasury.

CHANGES IN PUBLIC EXPENDITURE BY PROGRAMME IN COST TERMS

	Outturn 1978-79 to 1980-81	1980-81 to 1981-82	1981-82 to 1982-83	1982-83 to 1984-85
Defence	3.9	1.8	3.3	1.1
Overseas aid	-17.7	-13.5	20.3	0.3
Agriculture	9.8	1.3	-8.8	-7.4
Industry, etc.	-0.3	20.4	-2.4	-13.1
Transport	1.4	1.3	-1.8	-2.7
Housing	-4.6	-36.0	-2.9	-15.1
Environmental services	-0.1	-7.4	-0.1	-2.9
Law and order	4.2	6.1	1.5	0.4
Education	0.8	-2.1	-4.4	-3.9
Health	5.2	1.2	-1.1	-0.9
Social security	1.6	10.0	2.7	-1.5
Other public services	3.4	-1.0	-4.8	1.5
Common services	-3.5	30.6	-5.4	-1.9
Scotland	2.0	-2.0	1.9	-2.1
Wales	1.6	1.7	0.2	-0.6
N. Ireland	-0.8	-0.5	-57.1	-14.9
Nat. ind. borrowing	7.2			
Planning total	1.3	1.4*	1.1*	-1.1
Net debt interest	18.6	20.5	-2.9	0.6
Total expenditure	1.9	2.3*	0.8*	-0.5

* Including the effect of the changes announced in the Financial Statement and Budget Report, 1982-8.

Source: Govt. 8694, Volume 1, Tables 1.1 and 1.5; cash figures deflated by GDP price deflator



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Beirut

U.S. \$20,000,000
Floating Rate Notes due 1983

For the six months
14th April, 1982 to 14th October, 1982
the Notes will carry an interest rate of 16 1/2 per annum.

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LEFEVRE GALLERY, 30, Bruton St., W.1.
1982-1983. 1978-1979. Men. Ph.
10.5. Sat. 12.1.

WHITECHAPEL ART GALLERY, White-
chapel High St. 377 0107. Tube Aldgate
E. 19. 2 May FRIDA KAHLO & TITUS
MCDOTT ANSELMI KIEFFER. Sun. Ph.
11.5. Sat. 12.1.

DAVID CARPENTIER LTD., 15, Gower Street,
London WC1E 6BT. INDIAN PAINTINGS
1982-1983. 1978-1979. Men. Ph.
10.5. Sat. 12.1.

PIERCE & FENNER, 63, Queen's Gate, W.8.
1982-1983. 1978-1979. Men. Ph.
10.5. Sat. 12.1.

THE PARKER GALLERY, 2, Albemarle St.,
Piccadilly, W.1. Exhibition of Old Master
Paintings and Sculpture and Contemporary
Paintings and Sculpture. Sat. 10-5. Sun.
10-12.30.

RICHARD GREEN GALLERY, 4, New Bond
Street, W.1. Exhibition of Old Master
Paintings and Sculpture and Contemporary
Paintings and Sculpture. Sat. 10-5. Sun.
10-12.30.

CLUBS

THE CLUB, 15, Gower Street,
London WC1E 6BT. INDIAN PAINTINGS
1982-1983. 1978-1979. Men. Ph.
10.5. Sat. 12.1.

FINANCIAL TIMES

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WestLB International S.A.

Financial
Highlights as per
Dec. 31, 1981

	in million US\$
Balance sheet total	4,581
Amounts due from banks	1,605
Loans and advances to customers	2,628
Securities	166
Capital and reserves	150

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32-34, boulevard
Grande-Duchesse Charlotte
P.O. Box 420
L-2014 Luxembourg
Telephone: 44 74 11
Subsidiary of
Westdeutsche Landesbank
Girozentrale,
Düsseldorf/Münster

The unabridged annual statement as well as the profit and loss accounts will be published in the "MEMORIAL Amtsblatt des Großherzogtums Luxemburg, Ausgabe C" (Official Gazette of the Grand Duchy of Luxembourg, edition C).

NEGIT S.A.
Société Anonyme
18A, Boulevard Royal, Luxembourg
DIVIDEND NOTICE

Pursuant to a resolution of the
ordinary general meeting of share-
holders, a dividend of 1,500.13 per
share will be paid on 10th May 1982.
to all shares outstanding at 30th April
1982.

Qualified cheques will be sent to
shareholders. The dividend will be
paid in cash or by cheque. The
shareholders are being offered the
option of receiving their dividends
in new shares of the fund, the
value of which is calculated on 10th May
1982, without any further payment.
The number of shares issued as a
result of exercising this option may
be rounded either up or down upon
the shareholders' instructions.

Shareholders should be notified by
bank of Paris of the dividend, and
a Grand-Duché de Luxembourg, 10A,
Boulevard Royal, Luxembourg, Paying
Agent, at the latest on 7th May
1982. Balances resulting from the
dividend shall be settled at the latest
on 17th May 1982.

For the Board of Directors
Luxembourg, 18th April 1982.

URUGUAY 54% CONSOLIDATED
DEBT 1981

Williams and Glyn's Bank plc hereby
gives notice that they will be prepared to
pay on 1st May 1982, the coupons due
on that date of the above mentioned debt
from unsecured bonds. Coupons must
be left three clear days for examination.
10, Great Tower Street,
London EC3.

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The holders of debentures 7 1/2% 1977-
1982 of USD 1,000 are informed that
the bonds will be redeemed wholly
or partly at the final maturity of July 15,
1982, at the option of the following
debentureholders:

- CONCORD AMERICAN BANKING
- COMPTON BANK NEW YORK
- BANQUE NATIONALE DE PARIS
- ALGERIEN BANK NEDERLAND NV
- BRUXELLES
- BANQUE NATIONALE DE PARIS
- LUXEMBOURG S.A.
- BANQUE INTERNATIONALE A
- LUXEMBOURG LUXEMBOURG
- BANQUE NATIONALE DE PARIS
- PARIS
- BANQUE NATIONALE DE PARIS
- PARIS
- CRÉDIT LYONNAIS
- PARIS

CRÉDIT LYONNAIS
U.S. \$50,000,000
Floating Rate Notes due 1988

It is a pleasure to announce that the
holders of the above mentioned notes
will be paid on 15 October 1982,
the interest due on the notes for the
period 15 April 1982 to 15 October 1982.
The interest payment will be 50
cents per \$100 of face value.
The interest payment will be 50
cents per \$100 of face value.

The Fiscal Agent
BANQUE INTERNATIONALE
A LUXEMBOURG
Société Anonyme

UK NEWS

County seeks U.S. tips on transport

BY NICK GARNETT, NORTHERN CORRESPONDENT

WEST YORKSHIRE has called in a team of U.S. management and transport consultants to review its passenger transport system.

It is the first metropolitan council to seek such advice and follows the Government's increasingly tough stance in forcing local authorities to justify the revenue support they provide for buses and local train services.

The county chose consultants Booz, Allen and Hamilton, from five companies, to carry out an initial study costing £122,000.

The move is meant to indicate to the Government that the county is acting responsibly.

The West Yorkshire Passenger Transport Executive (PTE) predicts rapidly worsening problems in the relationship between revenue support, levels of fares and services.

The U.S. consultants have never carried out a study of this kind outside North America,

but have examined some of the catastrophically inefficient public transport systems in the U.S. and the general decline in urban transport.

The company claims to be the most experienced in the area of public transport in the world. It will have a team in West Yorkshire specialising in engineering, maintenance, rostering, scheduling, general operations and marketing.

The team hopes to produce by July a series of policy options for the county's transport system. It will also make recommendations for improving efficiency and lowering costs within the PTE, which employs 5,400.

The project may have implications for PTE's 11 county areas similar to West Yorkshire, which has a population of 2m.

The area covers six major towns and cities, but has no dominant urban locality. The executive operates in 787

square miles with 1,200 buses, and using 600 National Bus Company vehicles in the county. It is currently losing about £33m a year. This compares with the £2.8m running shortfall which the PTE inherited when it was formed eight years ago.

Passenger journeys carried out directly by the PTE have fallen from a peak of 268m in 1975-76 to 200m in 1980-81.

The county has allocated £55m in transport support for this coming year—£37m for basic bus support, £8m for local rail services and the rest to subsidise concessionary fares.

It spent considerably more last year on transport subsidies than the Government said it should, and it will overshoot again this year.

Councillors appeared yesterday to be aware of the irony of choosing a consultant from a county where public transport is generally poor and where

some undertakings have been so inefficient that they have gone out of business.

Councillors argued that the county's experience in studying urban transport should be of major importance. Recommendations made by Boaz, Allen are currently being used to try to resolve some of the county's transport problems.

The company has also made recommendations to the New York Metropolitan Transport Authority, and has helped reshape Philadelphia's public transport.

Boaz, Allen said yesterday it would work closely with the trade unions.

Its study may involve such issues as changes in marketing for different areas and socio-economic groups, discrimination in the provision of services and a review of the most suitable relationship between revenue support, fare levels and services.

Working party to review VAT for small businesses

BY TIM DICKSON

A WORKING party has been set up to study the possibilities for simplifying Britain's Value Added Tax (VAT) system for small businesses. The idea is to formulate proposals in time for next year's Finance Bill.

The working party is sponsored by Tory backbench MP Mr Michael Gyles, chairman of the Conservative Small Business Bureau, and Mr Fred Gwynne, MEP for Leicester and chairman of the European Democratic Group's Small Business Committee. It also comprises representatives from various UK small business lobby groups.

"We aim to review the working of VAT throughout the European community and to propose a system for the UK which will reduce the inordinate burden of tax accounting and collection on the smaller businesses," Mr Ian Davies, working party chairman, said yesterday. "This can be achieved without loss of revenue to the Exchequer."

The group is particularly interested in the Forfait system used in France. Under this arrangement smaller firms can estimate their VAT liability in advance with their tax inspector. Special reductions and exemptions allowed elsewhere in Europe will also be studied and a report published at the end of the summer.

Submissions should be sent to Miss Kate Barker, 4, Churton Place, London, SW1.

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Submissions should be sent to Miss Kate Barker, 4, Churton Place, London, SW1.

Decline in London zoo visits leads to £1m loss

BY BELINDA NENE

THE LONDON Zoological Society made a loss of more than £1m last year when the number of visitors to Regent's Park Zoo dropped by 31 per cent, it was announced today.

In the society's annual report, the drop is described as "a serious and entirely unforeseen rate of decline." Visits to the society's other zoo, Whipsnade, were down by 2 per cent in 1981, despite the zoo's 50th anniversary celebrations.

The recession and poor weather are blamed for the decline, which is thought to be a main reason for the society's 1981 operating loss of £1.152m.

Lord Zacherman, president of the Society, admitted that

higher entrance charges could have priced zoos out of the market, but he confirmed that the Government had agreed to a substantial grant to help the society through its difficulties.

He dismissed claims that television wild-life programmes had killed the public appetite for seeing animals in zoos, and pointed to recent surveys that showed the two zoos were still popular.

A poll of 263 south-east households showed that, in one home out of four, at least one person had been to a zoo in the last three years. In another survey of 1,000 British homes, the figure was one home in seven.

Traders 'need more help on new technology'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

RETAILERS and wholesalers should be given more government help in the application of new technological developments, urges a report yesterday by the distributive trades committee of the National Economic Development Office.

The report, which predicts considerable changes in shopping patterns over the next few years as a result of new technology, says there is much unexploited potential in the application of new technology to retailing.

Its authors believe retailers and wholesalers, of which there are more than 300,000, constitute one of the largest potential markets for information technology. Department of Industry will take "a positive interest in the applications requirements of traders." They

also recommend that a distributive trades technology unit be established within the department, providing a focus for co-ordinating awareness and advisory services related to the introduction of new technology.

The committee would also link the needs of the trade, research and development departments, systems developers and the work of UK equipment manufacturers and software houses.

The report reviews the major changes likely in the next five years in the distributive trades as a result of new technology. Most significant of these will be developments in point of sale equipment, such as laser-scanning electronic check-out systems.

But there will also be new computerised stock control and administrative systems, the elec-

tronic exchange of data with suppliers, viewdata, the growth of "armchair shopping," and electronic funds transfer systems.

Apart from the technical effects of these developments on shops, offices and warehouses the report examines the implications for distributors, employees, consumers and suppliers. In each case, the report makes detailed recommendations on how change can be brought about with minimum disruption.

Some of the more fundamental conclusions spelt out in the report relate to the benefits smaller businesses can derive from information technology. Until recently, smaller traders have generally been unable to monitor their business performance regularly because of the complex paperwork involved.

But the report points out that it is now possible for small computers, and relatively inexpensive point-of-sale terminals, to provide the management information to small companies which has been available in larger retail groups for some time.

The economic development committee has agreed to commit a major part of its resources over the next 12 months to implementing the report's 25 recommendations.

It believes the report will act as "a framework for continuing discussion" on the effects of information technology on the structure and growth of the distributive trades over the next decade.

"Technology: the issues for the distributive trades," NEDO, Millbank Tower, Millbank, London, SW1; price £3.

APPOINTMENTS

Changes at Midland Bank

Mr W. G. Barrett has been appointed chairman and chief executive of LONDON AMERICAN INTERNATIONAL CORPORATION (LAICO). He takes over from Mr G. W. Taylor, who becomes Midland Bank group chief executive on May 1.

Mr Barrett, a general manager of Midland Bank who was previously responsible for international corporate and export finance, will also have responsibility for Midland Bank Group International Trade Services, including export finance, aerospace, project finance and the offshore trust corporations.

Mr L. S. Rachel, managing director of London American Finance Corporation (LAFCO), has been appointed a director of LAICO. Mr R. L. Wyatt, an assistant general manager of Midland

Bank, has been appointed a director of LAICO. He is also named general manager of the international trade services organisation, Mr L. V. D. Hildale, deputy chairman of Finance for Industry (FFI) has resigned as a director of LAICO and becomes a director of London American Marketing Corporation (LAMCO), in which FFI retains a shareholding. Mr A. J. Poulé has resigned as chief executive and managing director of LAICO.

DELTA GROUP states that Mr R. A. H. Thomas, chairman of gas controls division, is also responsible for the building products and components division.

Mr R. K. Martin has been appointed to the board of THE

DISTILLERS COMPANY. He was managing director of Scottish Malt Distillers of Elgin, and he holds a senior position in the Distillers' Company's Scotch whisky production organisation in Edinburgh.

Mr Edward G. Cox, a director of the Charterhouse Group, is to be appointed chairman of P. J. BURKE (HOLDINGS) following the group's investment in the company.

Mr DART has appointed Mr Sidney Marks life president and Mr Paul Marks has become chairman in his place. Mr S. Marks remains a non-executive director.

Mr Malcolm Hopley has been appointed a non-executive director of HICKSON AND WELCH (HOLDINGS). Mr Hopley joined the group in May 1981 as a non-executive director of Hickson and Welch following his retirement as commercial deputy chairman of the organic division of Imperial Chemical Industries.

The BRITISH INSURANCE BROKERS' ASSOCIATION has appointed Mr A. V. Alexander chairman. He succeeds Mr J. H. F. Findlay, who retires on

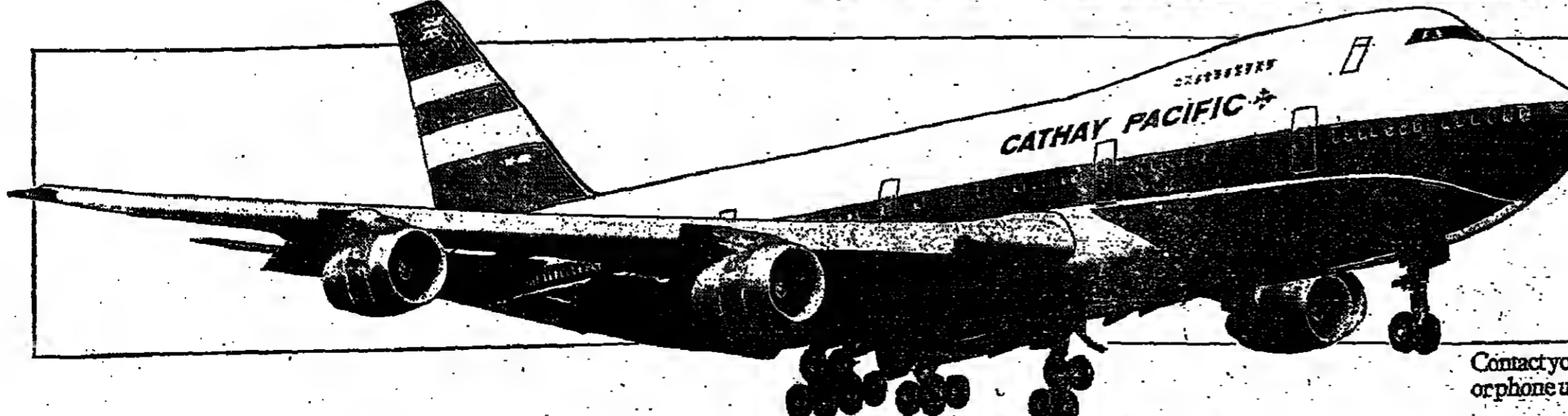
May 11. Mr Alexander, a deputy chairman of the BIBA, is a director of Sedgwick Group and chairman of Sedgwick Group Special Services.

SMITH KLINE AND WELCH has appointed Mr Lee Lloyd Evans to the board.

GASKELL BROADLOOM GROUP has made the following changes: Mr M. H. Horton, chairman, has retired. Mr E. D. Andrew has been appointed chairman of Gaskell Broadloom. Mr H. S. Stones remains as vice chairman of Gaskell Broadloom and has been appointed group managing director. Mr Spence has relinquished his position as managing director of Broadloom Carpets and Mr G. A. Peake has been appointed managing director in his place. Mr D. Hill has been appointed group financial director. Mr A. R. L. Aspinall, joint managing director of Hothfield Carpets, has been appointed to the Gaskell Broadloom board. Mr G. Cahill has been appointed managing director of Gaskell and Co. (Bacon).

At the annual meeting, Mr Guenter Steffens, senior manager of the Dresdner Bank AG, was appointed chairman of the LOMBARD ASSOCIATION.

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The Swire Group

UK NEWS - LABOUR

Duffy admits Government policy is weakening labour movement

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT is succeeding in its policy of reducing the strength of the trade union movement, a leading trade unionist acknowledged yesterday.

Mr Terry Duffy, president of the Amalgamated Union of Engineering Workers said that when the Conservative Government came to power, it "embarked on a policy of sapping the financial and numerical strength of the trade union movement."

He added: "Unfortunately, they are succeeding." The Government's drive against the unions was having a direct effect on the AUEW, the second largest union in the TUC.

According to documents presented to the union's policy-making national committee at Eastbourne, the AUEW's

general funds suffered a sharp fall last year. The total was £12,545,888 on December 31, 1981—compared to £14,109,514 a year before.

This mirrors a further decline in AUEW membership, which is now only a little more than 1m. The total on January 22 was 1,024,205. During the last three years, the union has lost more than 150,000 members.

Mr Duffy, in his presidential address, said that since the Government had come to power, the AUEW had paid out more than £5.5m in dispute benefit. Last year it disbursed £1,741,582 in superannuation benefit, almost £1m in dispute benefit and an "astounding" £1.3m in legal fees.

Mr Duffy said the union has financial problems "which we cannot ignore." This was clearly

indicated by the fact that, for the first time in the union's history, the executive had decided it could not afford to replace a retiring district secretary in the Hampshire area. He said that the government's new Employment Bill posed a further threat to the union's finances.

Mr Duffy came out with one of his strongest suggestions yet for a merger between the AUEW and the other main union in the TUC with right-wing leadership, the Electrical and Plumbing Union.

● Voting for the national committee's stalling orders committee showed that the Right retains a firm hold on the AUEW. The five successful right-wing candidates gained 56 votes, against 35 for the left-wing candidates.

Bank union rejects call for talks with rival

By Brian Groom, Labour Staff

A MOVE to end 60 years of divided staff representation in the English clearing banks was defeated yesterday at the annual conference of the Banking, Insurance and Finance Union.

Delegates in Blackpool rejected by more than 2 to 1 a motion urging consultations with Bifu's main banking rival, the non-TUC-affiliated Clearing Bank Union, to create a new constructive approach towards the formation of one staff body in the English clearing banks.

Relations with the CBU have been poor since it was formed from the staff associations at Barclays, Lloyds, and National Westminster two years ago, after the collapse of merger talks with Bifu. Last year CBU members crossed Bifu picket lines in the pay dispute with the English clearers.

But many delegates were surprised at the margin of yesterday's vote. The conference later reaffirmed overwhelmingly its policy of shunning joint negotiations.

It also passed a motion effectively urging CBU's staff unions, and staff associations elsewhere in the finance industry, to transfer engagements to Bifu.

Philip Bassett reports on the pay arbitration tribunal hearing

Civil servants' claim 'not justified'

THE GOVERNMENT yesterday swept aside a 13 per cent pay claim tabled on behalf of 530,000 white-collar civil servants, and argued that if the only criteria for a Civil Service rise was the effect of the labour market then no pay increase at all was justified for 1982.

The Government and the Civil Service unions began putting their cases yesterday to a hearing of the Civil Service Arbitration Tribunal, chaired by Mr David Calcutt, QC, into the claim and the Government's complex offer, based on the impact of market forces, which proposes rises of 0.51 per cent.

Both sides believe a finding could be delivered as quickly as Friday. There were unconfirmed suggestions that the arbitration panel could be proposing an increase of about 7 per cent, which it is thought would be acceptable to the Government and would probably preclude industrial action.

The Government, in extremely toughly-worded evidence to the tribunal, flatly rejected all the lines of argument behind the unions' claim for 13 per cent with a minimum rise of £12,500.

Recognising that its offer fell below the expectations of civil servants "conditioned by past settlements to a more automatic approach to pay increases," the Treasury argued that to improve general competitiveness, "for a period of time pay increases must be at a level which will be below the increase in the cost of

living." Civil servants would not be exempt from this requirement.

Curbing the growth in public service pay was an important element in the medium-term financial strategy. Excessive increases were bound to lead to increased taxation or borrowing and therefore higher interest rates, with a consequent damaging effect on industrial investment and cost and therefore on

ing to the economic importance of the deal to ourselves and teachers' pay claims.

In constructing what it described as a "carefully thought-out approach," the Government sought to monitor market forces as they affected recruitment and staff retention in the Civil Service and to management needs such as rewarding skill, experience

Figures given to the tribunal

THE INFLATION rate for the low paid is one-sixth higher than that registered in the Retail Price Index, according to a report published yesterday by the Low Pay Unit and the Civil and Public Services Association. The report says that inflation is running at about 14.1 per cent for the poor,

compared with 12.2 per cent for the average household because the poor spend a higher proportion of their income on food, fuel and housing.

Mr John Ellis, deputy general secretary-designate of the CPSA, said nearly a third of a million civil servants were in the low pay category.

prospects for economic recovery. The Treasury rejected 1980 as a starting point for fixing 1982 pay; the application of year or price indices to this year's pay increases; the maintenance of living standards; the protection of the lower-paid; and the increase in leave allowances.

Union leaders were particularly angry with a bald statement on low pay that "in general terms, pay is a matter for the market place and social needs are the province of the social security system."

The Government stressed the importance of Civil Service pay to the wider pay round, point-

only a "very moderate" increase was warranted.

The Treasury rejected the suggestion that this market forces-based offer would preempt the findings of the Government's longer-term inquiry into Civil Service pay, chaired by Sir John Megaw, which is due to report by mid-summer.

Union leaders believe that if the arbitration finding lends support to the Treasury offer, the Government will use it as a clear signal to the Megaw inquiry on the type of pay system it should recommend.

The Council of Civil Service Unions said that the Government's offer would create turbulence at all levels of Civil Service pay, which would take years of patient negotiations to repair. The offer was a deliberate failure to honour the assurances which were crucial to the unions agreeing to call off the 21 weeks of strike action last year.

The offer was "an open attempt to import a simplistic and unilateral interpretation of 'market forces' and to exploit perceived employer advantages, primarily those arising from the present high level of unemployment."

The CCSU suggested that based on pay and price movements, the shortfall in civil service pay was even greater now than when the claim was tabled; it was now 16.2 per cent as opposed to the 13 per cent of the claim.

TUC drive against Tebbit Bill 'growing'

BY OUR LABOUR STAFF

THE TUC's campaign against the Employment Bill is starting to gather pace among union militants according to a confidential report that will go before a meeting of the UCU's influential Employment, Policy and Organisation Committee tomorrow.

The paper reports a growing response to the campaign over the past few weeks.

The evidence is vague—more requests to Congress House for literature, information and speakers—but its guarded optimism is in contrast to the open pessimism expressed by some trade union leaders about the possibility of a successful anti-Tebbit campaign.

Many speakers at the April 5 TUC Special Conference on the Employment Bill spoke of the problems of organising the rank and file to fight the Bill.

Mr Terry Duffy, president of the Amalgamated Union of

Engineering Workers, said that apathy was a major obstacle. Mr Len Murray, general secretary of the TUC, said: "It will not be easy to bring home the full force of the threat."

The report also documents the practical details of the campaign—such as the making of a video film to be shown as part of the anti-Tebbit road show travelling round to union conferences.

The EPOC committee will also receive a report on recent developments in the Manpower Services Commission. An MSC task group of union and employer representatives recently agreed an alternative to Mr Norman Tebbit's Youth Training Scheme announced last December.

The task group plan would provide work experience, training and education for all young people not in further education—and not just the young unem-

ployed. It also proposes a payment of £25, as opposed to Mr Tebbit's £15, and says that young people who don't take part should still get supplementary benefit.

The MSC council will discuss the task group proposal on April 27, the first council meeting to be chaired by the new MSC chairman Mr David Young.

Dustmen call strike over private contractors plan

BY DAVID GOODHART, LABOUR STAFF

COUNCIL SERVICES in the Tower-controlled London Borough of Wandsworth were at a virtual standstill yesterday as 6,000 manual and white-collar workers staged a 24-hour strike over the council's plans to use private contractors for refuse collection.

The borough's 200 dustmen, and the council's switchboard operators have decided to strike indefinitely from today.

Workers from private companies will clear the rubbish and operate switchboards during the strike. Council leader Mr Chris Chope said yesterday: "By taking action the council's refuse collectors are making our case out for us. If we decide to bring in private contractors this would be the

last time they could hold us to ransom in this way."

In February, the council became the first in London to hand street cleaning to the private sector when it gave the contract to Eritchard Industrial Services.

The council's eight unions called the one-day strike after Mr Chope refused to give them assurances that the council would withdraw the plans to go private. The unions say the present system of the council employing its own workers can be made to run more efficiently.

Only essential services to the house-bound and needy were working yesterday, as libraries, parks, cemeteries, swimming-baths and council offices closed.

Hoover jobs threatened by walkout

THE FUTURE of the Hoover electronics plant at Cambuslang, Strathclyde, hung in the balance last night after a walkout by 27 electricians.

The company hinted that it may be forced to close, with the loss of 1,800 jobs.

The electricians walked out in support of two colleagues who were laid off after a dispute involving one of the production lines.

The dispute came to a head when the management was told a line had been "blacked" because a job was carried out to the absence of an electrician.

Lay-off notices were issued to 90 people—members of the Amalgamated Union of Engineering Workers—who worked on the site, as well as the two electricians.

Strike halts Ford plants

PRODUCTION was halted at Ford's Halewood factory on Merseyside yesterday when management laid off 2,500 hourly-paid workers from the body and assembly plants following a lightning strike by 18 workers in the metal finishing area over new work practices.

The company said the day shifts had been laid off indefinitely after 245 men had walked out in sympathy when the 18 workers were taken off the payroll.

Resignation call

THE MILITANT Brighton branch of the National Union of Railwaymen has called for the resignation of Mr Syd Weighell, general secretary of the NUR, in a motion on the preliminary agenda for the union's conference.

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UK NEWS - PARLIAMENT and POLITICS

Pym 'keeps options open' on Healey Falklands plan

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE APPOINTMENT of a senior United Nations official as temporary administrator of the Falklands was strongly advocated in the Commons yesterday by Mr Denis Healey, Labour's defence spokesman, as a way out of the present deadlock.

The proposal envisaged the administrator moving in after Argentine troops left the islands. Mr Healey felt this would leave the way clear for direct negotiations between Britain and Argentina on the question of sovereignty. Once this was settled the UN administrator would withdraw.

Mr Healey also suggested that Mr Alexander Haig, the US Secretary of State, could get no further in his efforts as "honest broker" than the UN Secretary General should take over that role.

The proposal for a UN administrator received a very cautious response from Mr Francis Pym, the Foreign Secretary, who made a further statement to the House on the protracted negotiations between Mr Haig and the Argentine junta.

Mr Pym said he did not want to close any options, but that Mr Healey's idea was "not necessarily the way ahead."

In exchanges which followed, Tory backbenchers appeared divided over the question of a UN presence, and some feared it might be feared as a surrender of British sovereignty.

Mr Healey's proposal was greeted with shouts of "No, No" from sections of the Tory backbench. But Labour MPs encouraged Mr Healey with cries of "very good" as he put his case.

Mr Pym also told the House that the Government was "considering sympathetically" a suggestion that financial assistance should be given to enable

Falklanders to temporarily breaking down.

A senior Conservative backbencher, Sir Nigel Fisher (Surrey), urged Mr Pym to keep an open mind about Mr Healey's suggestion.

Mr Pym repeatedly emphasised that the Government is still planning its hopes on a successful outcome of Mr Haig's talks in Buenos Aires.

He refused to be drawn into criticism of the stance taken by the Reagan Administration, and thought its "even-handed" approach was the correct one.

"His mission provides the best hope of achieving a peaceful settlement," said Mr Pym.

Government 'grateful to Mr Haig'

The position was still delicate. The Government remained grateful to Mr Haig and would continue to co-operate fully with his efforts.

There were cheers from both sides of the House when he announced that Norway had joined the EEC in banning imports from Argentina.

Britain was still stepping up military, economic and diplomatic pressure on Argentina, said Mr Pym.

The naval task force was steadily approaching the Falklands and the Government was strengthening its ability "to carry out whatever task may be required of it."

Mr Pym assured MPs that the Government was making every effort to find a peaceful solution. But he added: "Argentina must have no doubt about our resolve to exercise our rights to the full if this should prove necessary."

Refusing to be drawn by Mr Healey, he said it would be wrong to speculate on what might happen if the unfortunate event of the Haig peace mission

'Ratting on sanctions' in City alleged

By John Hunt

AN ALLEGATION that members of Lloyd's syndicates and other people in the City were "ratting on sanctions" against Argentina was made in the Commons yesterday by Mr Christopher Price (Lab, Lewisham West).

He said members of the syndicates gave further insurance cover yesterday to the Argentine national airline, and told Mr Francis Pym, Foreign Secretary, that members of the syndicates were making arrangements to renew the airline's contract when it ran out on May 1.

"Can you make sure that the City of London puts Britain before its own commercial interest?" demanded Mr Price.

Mr Pym was unable to comment on the specific allegation but said the City was not authorising new loans.

Mr Terry Duffy, president of the Amalgamated Union of Engineering Workers, told his union's annual conference that the Falklands crisis highlighted the folly of the Government's cuts in traditional naval spending.

He demanded a halt to closure of the naval dockyard at Chatham and the rundown of that at Portsmouth.

The Trades Union Congress of Left-wing Labour MPs unanimously backed the formula of Mr Denis Healey, deputy leader, for avoiding use of force in the crisis.

Mr David Steel, Liberal leader, said there was "no doubt" about U.S. loyalty to Britain if the present peace moves failed.

He was speaking in London after returning from America, where he met Mr Caspar Weinberger, Defence Secretary.

Back bench demands for auditing powers

BY IVOR OWEN

THE GOVERNMENT came under renewed all party pressure in the Commons last night to introduce more effective procedures to check that taxpayers' money is not wasted by public sector industries.

Backbench MPs from both sides of the House underlined their determination to resist any further exercise in stalling tactics by the Government.

The demand for stronger powers for the Comptroller and Auditor General, operating through the powerful House of Commons Public Accounts Committee, to follow through the use made of money authorised by Parliament was taken up in a succession of forceful speeches.

Mr Joel Barnett (Lab, Heywood and Rotton) Chairman of the Public Accounts Committee and a former Treasury Minister, accused the Prime Minister of

having used fallacious arguments in suggesting, earlier this month, that improved Parliamentary accountability might jeopardise the commercial confidentiality essential for the successful operation of state owned undertakings.

He protested: "The idea that we would work in such a way as to create the kind of difficulties to which the Prime Minister referred is really a very serious error on the part

of the Prime Minister and the Government."

Long experience of the methods used by the Comptroller and Auditor General and the Public Accounts Committee made it abundantly clear that there was no reason to justify the kind of fears Mrs Thatcher had expressed.

Mr Barnett maintained that the Government's attitude to the whole issue reflected a total failure to recognise the under-

lying importance of accountability to Parliament.

He recognised that the new procedures advocated by some 300 MPs might be regarded as a nuisance and lead to some difficulties. "But I hope all MPs would agree that it is better to be something of a nuisance and create some difficulties for these industries than carry on with the present position of totally inadequate Parliamentary accountability."

Mr Barnett hoped that the views expressed by the Prime Minister would not prevent Sir Geoffrey Howe, the Chancellor of the Exchequer, entering into a new round of consultations on Parliamentary accountability.

Mr Barnett made it clear that he was looking to the Chancellor to accept the need for important changes.

Scottish TUC dominated by war threat and local election fears

BY IVO DAWNEY

THE SDP THREAT to the Labour Party in the wake of the Glasgow Hillhead By-election and the Falkland Islands crisis dominated speakers at the opening session of the Scottish TUC in Perth yesterday.

Mrs Helen Liddell, secretary of the Scottish Labour Party, told the Congress that the trade union movement must campaign vigorously for the Scottish regional elections, due on May 6, with the realisation that a general election could be held within a few months.

"It is easy for us to look at the main threat as the Tories," she said, "but do not forget that there are the other help-mates of the Tories in disguise, and that is the SDP."

It was essential that Labour councillors won a strong vote of confidence in the forthcoming elections, she added.

Opening the conference, Mr John Pollock, STUC president and general secretary of the Education Institute of Scotland, also attacked the SDP as

a "middle class party divorced from the trade union movement."

He warned: "This new party, whatever its justification, creates rather than removes social divisions, and will make working people feel more isolated in their struggle for social justice."

Mr Pollock condemned the Government's dealings with Argentina. He also criticised the two super powers in an unscripted addition to his presidential address.

He said the Government "must be made to account" for the folly of its actions in arming the right-wing junta in Argentina at a time when the human rights of Argentine workers were being violated.

The Government had also created "uncertainty" about British intentions in the Falklands by the 1961 Nationality Act, which denied full British citizenship to many Falklanders.

Mr Pollock also accused the Government of failing, despite adequate warnings, to take positive action in time to prevent the escalation to a "near war situation."

He went on: "America is prepared to regard a right-wing military dictatorship as an equal friend of Britain."

"Russia is as guilty as the West in placing economic crisis and the SDP are expected to be debated by the conference later this week. Mr Mick McGahey, Scottish area president of the National Union of Mineworkers, is expected to move an emergency motion on the Falkland Islands today for debate on Thursday."

On Friday, the congress will debate the motion put by the Society of Graphical and Allied Trades, which strongly condemns the SDP for attempting "to sever the link between labour and the Labour Party."

SDP stays 'left of centre'

By Elinor Goodman, Political Correspondent

THE SDP agreed yesterday to position itself at the next general election as a left-of-centre party, co-operating with the Liberals, but with its own separate identity.

At its first meeting to discuss general strategy for the next election, members of the party's steering committee agreed that, while it was essential that the party retained its support among disenchanted Tory voters, there were more votes to be gained from former Labour supporters.

The meeting, which lasted three hours, was chaired by Mr David Marquand, with support standing at around 30 per cent, the party would not attract sufficient votes to make a breakthrough.

He pointed out that the party needed another 10 per cent of the electorate to be sure of being the largest party at Westminster. To achieve this, he said, it was essential that the Alliance was seen as a credible Government.

The meeting agreed that the party must start preparing for the general election "as a matter of urgency," once the local elections are out of the way. As a first step, a campaign committee is to be established to look at key issues such as fund raising, advertising, and other aspects of co-operation with the Liberals.

There has been some concern in both the SDP and Liberal camps over the last few months that the new party has been too preoccupied with "immediate issues, and that it has been in serious danger of losing its sense of direction. Some SDP MPs - most notably Dr David Owen, Mrs Shirley Williams and Mr Mike Thomas - have also been worried that if Mr Roy Jenkins, became leader, the party might drift further to the right and become a centre party.

Dr Marquand presented a paper setting out what he believed were the essential issues the party had to consider when drawing up its election strategy. The paper apparently pointed to the dangers of relying too much on the Tory vote, and there was general agreement that "the party must be building a strong base among former Labour voters."

Mr Thomas repeated his fears about the dangers of becoming too closely identified with the Liberals, and there seemed to be a consensus that the SDP must retain its own "clear and distinct" identity.

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Labour 'will freeze rents for 9m'

BY RAYMOND SNOODY

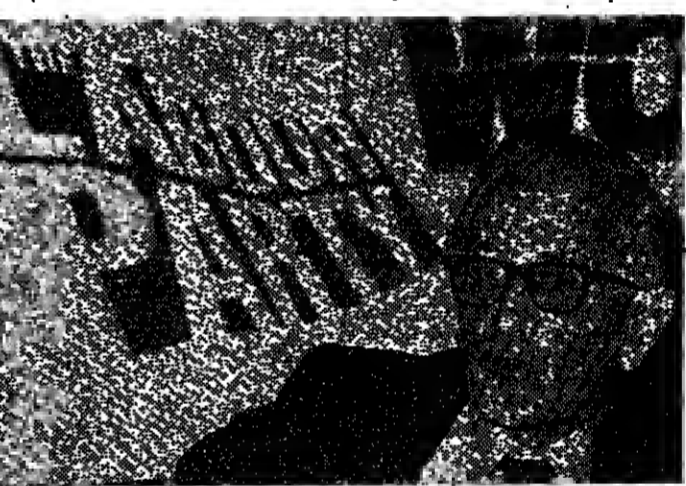
A LABOUR government would introduce a year-long rent freeze for council and private tenants, Mr Frank Ailman, the party's housing committee chairman said yesterday. He was launching Labour's campaign for the local government elections on May 6.

Mr Ailman said the freeze would help 6m families in council houses and 3m private tenants and would cost about £300m given an inflation rate of 10 per cent. He pointed out that it has yet to be formally approved by the party and that a freeze on private rents would require legislation.

Mr Michael Foot, the Labour leader, said in a statement read for him by Mr Jim Mortimer, general secretary designate, that the real reason for why local government was waiting would come only with the return of a Labour government.

"I give you an example. Something must be urgently done to help the council tenants who have been so hard hit by this government."

An incoming Labour government will therefore immediately make it clear to local authorities that it does not expect any increase in council house rents in the first year and



Ailman: put cost at £300m

that for housing subsidy and rate support grant purposes it will be assumed that no such increases will be made.

Mr Foot said that half the average rate rise of 16 per cent had been caused by the Government cutting its grant to local authorities. The inner city areas had been worst hit.

Compared with Labour's last year in office the share of grants going to the inner cities had fallen from 23.5 per cent to 18.66 per cent of the total, Mr Foot said.

Elections will be held on May 6 in all 32 inner and outer London boroughs, all 36 English metropolitan districts, and 103 of the English district councils.

Labour is putting up 4,581 candidates for 4,789 seats. Its campaign will emphasise the importance of local government services to the community and how the party says the Conservatives have damaged them.

BSC losses will top £318m forecast

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

THE BRITISH STEEL Corporation (BSC) has told MPs it will not stay within its forecast loss for the financial year which ended last month.

In a note to the Commons Industry and Trade Committee published yesterday, the corporation says that it expects to suffer a deterioration of the order of £20m "on the £318m forecast."

This compares with a record £668m loss for the 1980-81 financial year which BSC executives have spent the last 12 months struggling to tame.

The corporation blames severe weather in December and January and the rail dispute. But for these abnormal factors, the corporation says in its submission to the committee,

the results for December and January would have been very close to the BSC composite plan.

"In February, there was a good recovery and the results were better than the corporate plan."

BSC estimates that the bad weather increased its losses by around £30m due to damage to plant, buildings and stocks and interruption of production flows. Revenue foregone on lost sales was estimated at about £44m.

The corporation says that the rail dispute cost it a further £11m. The Teesside complex was particularly badly hit but there were also problems elsewhere as stocks of ore, scrap and hot rolled coil ran down at individual works.

"The effect of these factors on the corporation's results has only partially been offset by a higher than expected level of deliveries," it said.

The committee draws attention in the report to two factors crucial to BSC's future financial performance as Mr Ian MacGregor's chairman tries to bring the corporation back to profitability. They are energy prices and the state of the U.S. market.

The committee was told by BSC that it was at a disadvantage of some £40m per year on energy costs compared with its major competitors - an average of almost £3 per tonne of liquid steel on a production schedule of 14m tonnes. The committee

urges the Government to review again the energy prices paid by heavy industry.

The committee also emphasises BSC's vulnerability if anti-dumping actions by U.S. steel producers were to reduce the American market to European steel producers. It notes that the committee's report must be building a strong base among former Labour voters.

Mr Thomas repeated his fears about the dangers of becoming too closely identified with the Liberals, and there seemed to be a consensus that the SDP must retain its own "clear and distinct" identity.

It would also be necessary for imports into the EEC to be "more rigorously controlled." Such action would be difficult to achieve within the required timetable.

More parents will pay to maintain student children

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

AN EXTRA 20,000 British parents will be expected to contribute next year towards support of their children on degree courses, Ministers confirmed in the Commons Select Committee on Education, Science and the Arts yesterday.

The committee was questioning Sir Keith Joseph, Secretary for Education and Science, and Mr William Waldegrave and Dr Rhodes Boyson, his two Parliamentary Under-Secretaries.

The increase of about 9 per cent in the number of parents expected to pay in 1982-83 will result from the Government's decision, despite inflation, not

to change the figure which is the maximum a family with student children may enjoy by way of residual income without having to subsidise the cost of maintaining them.

Sir Keith and Mr Waldegrave both said they would press a change by which students would be required to finance themselves partly by loans perhaps provided through the banks and safeguarded by a Government guarantee.

But, since legislation would be needed, no change to a mixed system of loans and grants could be in operation within the next two years.

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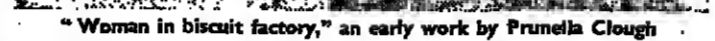
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London Galleries

by WILLIAM PACKER

initiative which I hope will receive the institutional support to continue as it should. The Architecture Association in Bedford Square has long had its gallery, three fine rooms, but for too long has shown there nothing of the Fine Arts. We have heard much lately of the artist and the architect working together, but nothing will come of it unless they can learn what the other does and might do.

Under the aegis of Antoinette Godkin, Carolyn Kardia and Carl Plackman are showing recent sculptural installations, with much of the work for them done on the spot. The artist is seen to be human, three remarkable works have been seen the light of day, and the student body, we hear, has responded with an enthusiasm of the first rank. This promising start, a true intercourse can start between the disciplines, and London gain another active gallery in the process, we shall all profit by it.

**Festival Hall**

For their Sunday evening concert under López-Cobos, the LPB announced a performance of Falla's abort but exquisite *Bolada de Maligra* welcome on the grounds of singularity alone (it is based on the middle section of the F major Ballade which Chopin wrote on Majorca), however unsuitable in size for the Festival Hall.

For whatever reason, the *Bolada* was dropped, and the programme confined to the two suites from *The Three-Cornered Hat* and Orff's *Corsario barona*. The excerpts from Falla's ballet were given with a restraint unusual in a score to which poster colours are often indiscriminately applied. The bit-part of a sinewy final dance was intelligently passed. Unfortunately the suites omit much of the pantomime music

to which this conductor's ear for clean textures is particularly well adapted.

Garminey's *barona* stood, presumably by accident, as a memorial to the composer, who died recently at a ripe age. In Britain Orff, except through this one work (in concert performance, not as intended as a "scenic cantata") and through his school music, is underrated and indeed almost unknown. And so it may well be in America. Apart from his works, *Der Mond* and *Die Kluge*, none of Orff's many and varied stage pieces (not operas—Orff was the music theatre man of all time) is likely to cross the language barrier from classical tongue or Hilderlin's German to translation. *Sophoclea* or *Barbarian* dialect. The cult of the antique may be expected to be a limiting factor,

but it is paradoxical that Orff's deliberately simplistic populism has proved a limitation too.

The perennial cantata was given lustily and tidily. The large audience sat it through in apparent bliss. Few of the stalls took the trouble to follow the words. Do they know them by heart? The women of the LP Choir are less resonant though no less nippy than the men. The Southeast Boys' Choir, the most of the carefully placed entries. The male soloists were James Bewman and Thomas Allen, both very good. For the tricky soprano role Janet Perry flew in from Munich to deputise for the sick Norma Burrows. Miss Perry is a good singer but her less unenviable circumstances abroad would have reached her colleague's level of assurance.

Elizabeth Hall

There are as many ways to conduct a complete cycle of the Beethoven sonatas as there are pianists ready to take up the challenge. John Lill's series of eight recitals, which began in the Elizabeth Hall on Sunday, will end appropriately with the last sonata on June 3. But it reaches that climax (on June 3: he is taking things steadily) his progress will be anything but chronological. As if to prove that point he opened with the third from the set of Op. 2, before moving on to the B flat Op. 22 and the little F major sonata Op. 54 followed by its grand companion the Appassionata, Op. 57.

Iocredibly, Mr Lill is the first British pianist to give a Beethoven cycle in the Elizabeth Hall since it opened in 1967. Whether that fact tells more

about the standard of domestic piano-playing, the popularity of Beethoven among home-based pianists or the unpredictability of London audiences I don't know. But Lill has made a speciality of these sonatas; he is almost a specialist in them, and his credit which has attracted some generous praise.

Yet listening to these accounts one wondered whether his reverence for the music obstructed a comprehensive view. On this page two weeks ago I said that Mr Lill was lacking the "rude vigour" in Stepebo Bishop-Kovacevich's playing of late Beethoven, and it was the same quality, a confidence to take the music by the scruff of its neck and shape it, that was missing here, especially in Op. 10 no. 3 and Op. 27, resulting blandness—and a ten-

dency to give passagework above the treble staff a smokes, half-pedalled sound that could have been a function either of the instrument or the performer —blurred the movements into amorphous characterisations. There was much to admire in Mr Lill's careful articulation and limpid textures, but insufficient substance to demand attention.

It was the least substantial work in the programme, Op. 54, that was the most convincing. It was the shortest and yet claimed athletic vigour, yet the same quality was surprisingly less generously displayed in the Appassionata, which gasped for breath especially in the finale and hardly ever generated the excitement and excitement one associates with the finest performances.

Wigmore Hall

To proclaim this the best female voice to have come out of the German-speaking countries in the last half-decade or so is, unfortunately, less of a compliment than it sounds. Even so, the tall and comely Miss Soffel, whose presence I noted with admiration in the Munich Festival of Goethe's *Paradise Lost* three years ago, is a mezzo-soprano of striking accomplishment—the time it has taken her to reach us is a surprise. Sunday's all-Schumann recital, given under the auspices of the Goethe Institute, disclosed the dramatic intent and powerful command of a voice both vibrant and firmly defined, individually, coloured and easily produced across a wide compass, best at ringing out exclamations and fervent protest, but also capable also of lighter shadings.

This recital was a worthy but, on a sunny Sunday afternoon, somewhat weighty test of both her abilities and the staying powers of a small audience. By the singer at least it was passed with considerable if not complete success. The first part, devoted reasonably enough (in view of the sponsors and the current Goethe centenary) to Schumann's Goethe settings, had the less consistently inspired music yet found the singer at her surest as an interpreter. The boldest inspirations were the best performances: "Talisman" was of noble seriousness, and "Kennst du das Land" (so curiously underestimated in Eric Sams' monograph) delivered in "real notes" with both amplitude and passion. In the more reflective songs one heard the swallowing of an occasional consonant, the momentary faltering of support to the legato, yet this was an whole an excellently substantial first half.

Disappointingly, the combination of intensity and clear musical focus was not kept up through the potentially more rewarding second half, offered to the 12 songs on poems by Kerner. The group is a long and difficult proposition, filled as it is, with songs of intense slow utterance. But Miss Soffel and her pianist Aribert Reimann made things rather more difficult for themselves by singing tempos often all slower than those suggested by the markings — to master this manner of Schumann interpretation the unarguable authority of a Gerbardt would have been required, and Miss Soffel, for all her promise, does not possess it. (Mr Reimann's playing, testy in forte and quirky in phrasing, was also of only intermittent help.) All the same, this is a singer who must hear much more of the best of our vocal music, for which she shows such intelligent sympathy but in the opera house, which is clearly her proper home.

British Arts Festival for New York

British and American companies on both sides of the Atlantic have so far raised \$2.5m towards the cost of a "Britain Salutes New York" festival to be held in New York in the Spring and Summer of 1983. The event, timed to celebrate the end of the Revolutionary War in 1783, is designed to acknowledge cultural links between London and New York, to display the best Britain has to offer in the arts, and to boost the reputation in the U.S. markets of the sponsoring companies.

The companies participating include Barclay's Bank; British Airways; Mobil Oil; Ogilvy & Mather Inc; Price Waterhouse and Co; Pottery Palace; Berrill; and Midway. The festival will open on April 13 and Sir Hugh Casso, a member of the Committee of Honor yesterday outlined the main attractions.

The Queen, has for the first time consented to lend abroad the Hans Holbein collection at Windsor Castle—it will be seen at the Pierpont Morgan Library; a major exhibition of John Constable paintings will be on view at the Metropolitan

Museum; paintings from the Royal Academy will show at the National Academy of Design; and a Henry Moore retrospective will also show at the Metropolitan.

The Royal Ballet will appear at the Metropolitan Opera House, the Academy of St Martin's in the Field at the Lincoln Center. Others invited to participate include the Royal Shakespeare Company; the Fires of London, the London Symphony Orchestra and the Monteverdi Choir. Fuller details will be available in the Autumn.

Oiga Chenchikova was the radiant heroine of *Paquita* which so delighted me of the previous Kirov season in Paris, and she was also an attractive if unawakened Odette in the dancing act of *Swan Lake*. A dancer of great physical beauty, she is now seen as an artist of rare distinction. There is a pearl-like lustre to her dancing, with a femininity that warms, her long gloriously unbroken phrasing of movement in everything she is harmonious; her line has a lovely logic from finger tip to toe, passing through her body.

I sensed in her earlier *Paquita*, and trust again here, that the truest image of Chenchikova is one of utter assurance. Her Odie showed this in generosity of outline and in prodigies of turning steps (the *fourtots* introduced by a quadruple pirouette), and I would hazard that her greatest role may be Aurora. That she is an *Odette* (for *Odette*, too, is in no way a bad role) she will be better than any one yet when matched with a partner more motionally responsive, more ardent, than the decorous Sergey Berezhnyy.

About the rest of the season, which will include the Kirov's perfect *Giselle*, a staging of Bouronville's *La Sylphide*, Vinogradov's *Government Inspector* and a divertissement of dancing music, I have no special scene from *La Bayadere* and Paquito's grand pas, I shall hope to report later.

THEATRES

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ACROSS

1 "Some beauty lies, the ——— of
neighbouring eyes" (Milton) (8)

5 Appropriate mascot for the Met. Office? (6)

9 Gunners given first knock by a Russian (8)

0 Makes up for one in the Women's Service (6)

1 No writer looked astonished (4,4)

2 Australian town provides a card game (6)

4 Darling deed gets formal pardon (3, 2, 5)

8 The steady blows of commerce (5, 5)

2 Those in charge of the game include it for repairs (6)

3 One giant reform in Greek drama (8)

1 Holly gives spirit to Ireland (6)

5 What one keeps to avoid familiarity (8)

8 Sounds severe for a novelist (6)

7 "And eateth not the bread of ——" (O.T.) (8)

DOWN

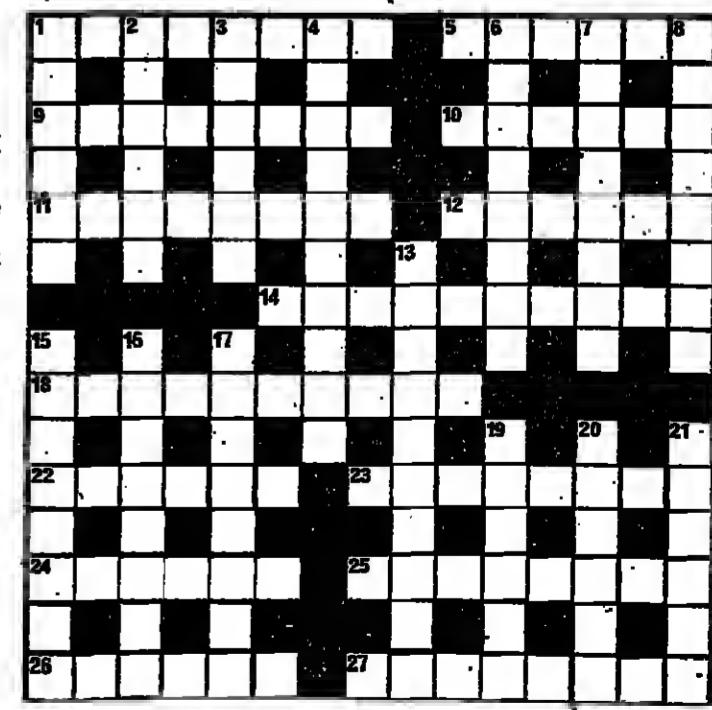
An element good with a motor (6)

The Colonel of the Huts (6)

A small coin makes a communist embittered (6)

Created a disturbance like Adam and Eve (6, 4)

Alienate the odd sergeant (8)



7 To offer one international status is a disadvantage (8)

8 Makes good provision among the Sappers (8)

13 Long hidden as an old sailor (6, 4)

15 Celebrity allows for lesser lights (8)

16 When the answer for the footballer may well be a lemon (4-4)

17 Write a label on the War Dept. (8)

19 Colour sounds like a town in Oxfordshire (8) -

20 Pretty good for a Scot (6)

21 Pious hero (6)

Solution to Puzzle No. 4,850

S	T	A	N	D	A	R	O	L	O	P
E	M	A	R	I	N	G	E	R	O	
D	R	I	V	E	N	A	S	T	I	N
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S	W	E	E	T						
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C	U	T	R	E	S	E	R	V	E	T

TECHNOLOGY

EDITED BY ALAN CANE

Hiding behind tinted 3D spectacles

BY MAX COMMANDER

TELEVISION ENTERTAINMENT in three dimensions has long been talked about. Many experts have dismissed it as just a gimmick or too costly and difficult to put into practice.

Others, including the TV set and equipment manufacturers, have dithered: understandably perhaps, because there was and still is considerable doubt about whether viewers want it.

The problem is nobody really knows. Pessimists point to the 3D films of the 1950s. People old enough to remember would probably agree that the crowds who flocked to the cinema foyers, collected their red and green celluloid and cardboard spectacles to watch the latest "miracle" have learned to live without it since.

Baffins

Philips research laboratories in Eindhoven, Holland have worked on the 3D "concept" for years. If one looks behind the jargon—a typical phrase is: "how to enhance the viewing experience"—the over-riding impression is that 3D TV is still a playing for the hobbists. Nobody seems very keen to put money into this stereoscopic mouth.

Philips laid on a presenta-

tion of its latest 3D developments (reported briefly on Page 8 of the FT on Friday of last week). The same old cardboard and celluloid specs were produced.

Certainly, the black and white quality was good: the stripper's shoe thrown at the audience did really make you duck.

In colour (still only available in the laboratory requiring two transmission channels and a special receiver) the chap with a duster on the end of a long stick almost made me sneeze as a cloud of dust appeared in front of my nose.

Philips admits that it is unlikely that viewers will sacrifice colour television for black and white 3D. In colour, the separation of the left and right hand pictures to achieve the 3D effect is achieved by polarisation but you need special polaroid type glasses to watch it.

Philips is conducting laboratory experiments with two reproduction systems. One is a combination of two receivers placed at right angles with a semi-permeable mirror at an angle of 45 degrees between them. The other consists of a single TV projector receiver which incorporates two sets of three projection tubes (covering red, green and blue).

Philips agrees that at

present developments are still at the research stage. To a great extent, it says, later use will depend on public acceptance. Possibilities for industrial, medical and underwater use seems more promising.

3D TV is already in use for undersea inspection and, perhaps, Philips research has been jogged by a request from the University Hospital in Utrecht where one brain surgeon decided that a 3D system would not only help his surgery technique but offer him more comfort while conducting a difficult and delicate brain operation.

Philips has provided a system and there is now a very happy brain surgeon.

After a German TV four-hour transmission costing DM 800,000 (£188,000) a similar survey was carried out on Dutch TV.

Surprised

After the Dutch transmission 35 per cent said they were very interested in 3D TV but 37 per cent said they were not interested, 20 per cent were "mildly interested" and 16 per cent didn't care one way or the other.

When questioned about picture quality, 75 per cent said they were surprised. Forty-eight per cent thought that the picture was not very



Dr Liang Tan, departmental head of Philips visual communications systems, with an experimental 3D colour set

good, 43 per cent thought it better, 29 per cent thought it was worse and the usual 16 per cent didn't care.

On May 4, TVS will broadcast 3D on its "Real World" science programme. Half a million spectators are to be distributed through TV Times for viewers to judge for themselves. Perhaps, the following survey may provide more information.

Dr Liang Tan, head of visual communications systems in Philips's research laboratories at Eindhoven says: "3D TV is in a

chicken and egg situation. Which comes first. The receivers or the material?"

Eventually, one assumes, that 3D TV will be a fact of life in your lounge. When that satellite is beaming down your 40 or so channels, one of them might be stereoscopic.

In the meanwhile, I have a pair of cardboard celluloid red and green glasses for sale. Philips are paying for the ones for TVS. Five hundred thousand at about 5 or 6p each—I think I'll stick to colour.

Optical disk system for data storage

SHUGART ASSOCIATES of Sunnyvale, California, discloses that it is developing a semiconductor laser-based optical disk system for data storage and expects to have samples ready for evaluation by the middle of next year.

But the company, which claims to have the lion's share of the lower-end magnetic disk market, is quick to emphasise that optical disks should not be seen as a threat to the magnetic variety, for either user or maker.

By their very nature, optical disks at the moment are for "record once read frequently" applications; once the data is recorded it cannot be changed with most of the current experimental media, although alterable media such as Bell and Howell's Microx do exist.

For the time being, optical disks must be thought of as low-cost bit mass archival storage for use in parallel with magnetic disks. Data manipulative processes will involve the magnetic disks while longer-term, unchanging storage will deploy the optical disks—although it should be noted that the massive low-cost capacity of optics will allow new data to be written in spaces left specifically for the purpose. The read head could simply ignore the old data.

Shugart says that no difficulties need arise in using optical and magnetic together. It has already developed an interface that will allow floppies, Winchester, "streamer" tape

drives and, in due course, optical disks to be used to mix, interchange and update data without affecting the central processor.

In optical systems the head generating the laser beam need not be in close proximity to the disk surface. Magnetic heads "fly" at about one-quarter of a micron (millionth of a metre) from the disk, whereas the optical head—in fact a tiny lens—can be about 100 microns away and still carry out very dense data recording.

Shugart says that track per inch figures will approach 20,000 and area bit densities will be from 10 to 100 times greater than those of magnetics.

Basically, it is the close head spacing of the Winchester and its accurate construction that makes it a fixed disk store. The larger clearance of the optical head will mean that optical disks will probably be removable.

That, in turn, should mean that back-up stores should be much less necessary. (If a fixed disk is degraded and the data lost, back-up is necessary because the disk cannot be exchanged for a duplicate; continuous running low-cost "streamer" tape cartridge systems are often used for the purpose.)

Amazing amounts of data can be held on optical disks. Drives under development offer potentially 5,000 megabytes per surface compared with the current 150 megabytes or so offered by magnetic technology



or 1,000 megabytes by optical storage systems in consumer products. The 10,000 megabyte desktop microcomputer may not be that far away.

Shugart's development involves a semiconductor laser (on the basis of better reliability and lower cost than gas types) and a recording medium in which, rather than the conventional burnt hole, a raised bubble is produced by thermal decomposition of a sensitive polymer under a metallic upper layer.

The gas pushes up to create a tiny blister of metal, not a hole. Notes, according to Shugart, tend to suffer from oxidation and humidity problems.

Shugart sees two drawbacks at the moment. One is that the error rate is "rather high." The answer, so far, is to correct raw data in the drive/controller electronics or in the computer software itself.

For many people in the computing industry, the other drawback is bound to be the lack of alterability. But even that is seen by some systems designers as an advantage. They say that, in the high-volume data storage role they foresee for optics, there will be an unassailable audit trail within the computer. And most computer frauds have taken advantage of the erasability of magnetic media.

GEORGE CHARLISH

Extel plans 'small' manufacturing

A SIGN of the growing strength of Extel's engineering division is afforded by the fact that a manufacturing facility for small machines is about to be set up.

Since 1979, Extel, in a new venture, has been distributing and manufacturing equipment made by Digital Microsystems of Oakland, California. A little over a year ago it acquired a controlling interest in DMS; from July, systems for the UK and European markets will be made in the UK.

The new plant, to be sited "somewhere in the Thames Valley," will be making a new business micro, DSC-3/F.

Although it takes the familiar form of screen, keyboard and

dual floppy disc drive in one unit, the machine is claimed by Extel to be unique in providing an upgrade path from a personal business computer to a local area network controller—without creating redundant machinery.

Basic price

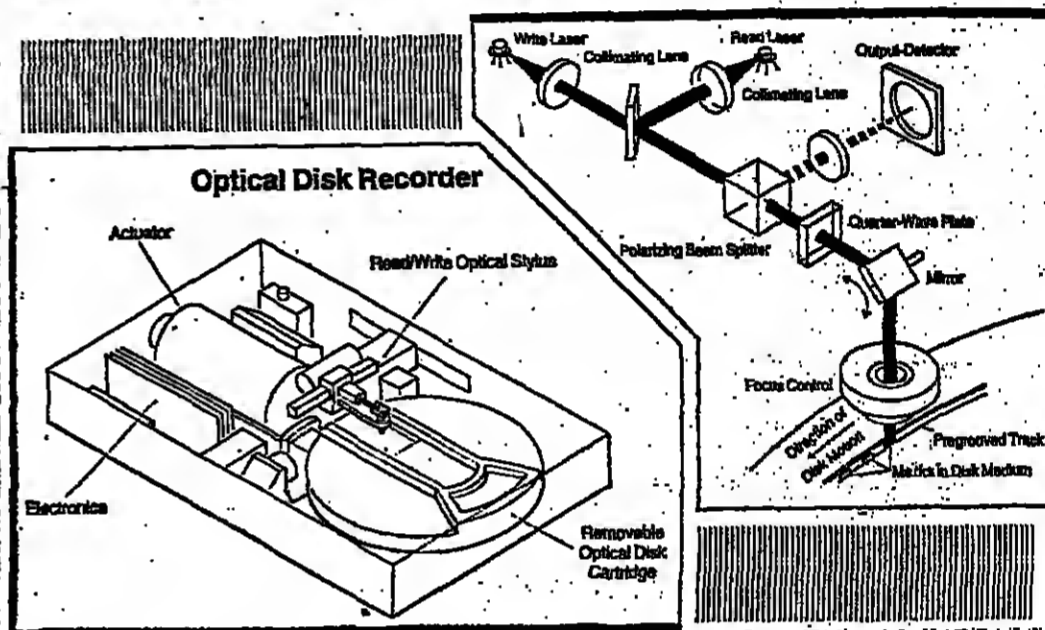
This means, claims Extel's engineering division director Rex Nelson, that "first-time buyers can have, for little more than the cost of an ordinary personal computer, a micro that will not need replacing as their needs grow. Basic price, with a printer, is £3,250.

Beyond its stand-alone role,

the DSC-3/F can operate as a local network processor station in the company's HiNet scheme and, with the addition of 10 or 20 megabytes of hard disc store, it can become a network controller capable of supporting up to 32 user stations. There are already 500 HiNet users world wide.

Extel says its business in this area has doubled annually in the past couple of years and it now expects a higher growth rate. It had only four dealers selling the products a year ago and this has now risen to 30.

"But we are still looking for more," says sales manager John Brook, "of the right calibre."



Sue Jay, TVS presenter, demonstrates the 3D effect in front of a Philips camera at the company's Eindhoven research laboratories

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THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

A pioneer's fascination for filling financial gaps

Fifty Years in the City — Financing Small Business, by John Kinross. John Murray, London, price £12.50.

THOUSANDS of small businesses which have been backed over the past 37 years by the Industrial and Commercial Finance Corporation probably do not realise the debt they owe to 78-year-old John Kinross and the 1st Lord Piercy.

For these two men were instrumental in setting ICFE on the road to becoming the pre-eminent source of medium- and long-term finance for smaller companies in the UK.

Piercy was ICFE's first chairman when it was set up in 1945, and Kinross its second general manager, who subsequently became the first deputy chairman.

But anyone who thinks that as the early midwives, they had an easy task delivering this new institutional baby into the City of London will find out how wrong they are in a fascinating new autobiography by Kinross.

In particular his book tells the remarkable story of the early jealousy felt by ICFE's clearing bank shareholders at the activities of what Kinross calls their "unwanted child".

The need for an ICFE type institution first became apparent, says Kinross, following publication of a report by Lord Macmillan in 1931. This pinpointed a gap (known as the "Macmillan gap") in the supply of medium and long term capital to smaller firms up to £200,000.

Both ICFE's initial share of £15m and initial loan capital of £30m were held by the English and Scottish clearing banks, except for a token 3 per cent held by the Bank of England — in those days still a publicly quoted company in which the Government had no equity interest.

Barclays and the Commercial Bank of Scotland, says Kinross, took a reasonably generous line, but it is clear from his narrative that the others wished to curtail ICFE's independence and confine its role to that of a lender of last resort.

His most formidable "opponent" in the early days of ICFE — though one he nevertheless respected — was Sir Charles Lidbury, chief executive of the Westminster Bank. At one point Lidbury's bank "poached" £50,000 of business already agreed by ICFE. Right



John Kinross: Backing the right man "is the way to make really big money"

at the outset Lidbury had tried to write into ICFE's constitution a proviso that every application should be sent in the first instance to the applicant's bank, which would then decide whether it was suitable for ICFE's consideration.

This idea was promptly scotched by Sir Otto Niemeyer, then Governor of the Bank of England. As Kinross points out, if he had not done so ICFE's life would have been quickly snuffed out. In all, only 59 of the first 430 applications received up to February 20, 1946, came from ICFE's clearing bank shareholders (only three came from the Westminster).

Qualifications

In contrast Finance Corporation for Industry, which was also set up in 1945 to finance bigger companies with sums over £200,000, "kept religiously to its appointed role as leader of last resort" — a decision which led to its hitherto little known financial crisis in 1958 when the Bank of England had to inject £3m interest free and a further £10m for use in certain circumstances.

Kinross's qualifications for his role at ICFE — he is still highly active on the "periphery," as he puts it — were mostly acquired in the 1930s through Cheviot Trust and other personal vehicles. Cheviot was his own issuing house which built its business on the lengthy mailing lists of private investors compiled in the previous decade by his friend and mentor Sir Arthur "Wheeler" who controlled both Charterhouse and Gresham Trust in the 1920s.

It is the characters like Wheeler who bring this book

to life and will interest the author's grandchildren, for whom it was primarily written. "In essence the people they will encounter will have much the same characteristics as those with whom I dealt," he writes.

Although the light thrown on ICFE may well be of most interest to a contemporary City audience, there is much else besides. The accounts of his Stock Market dealing, for example — an activity which made him many millions of pounds from an initial £10 stake — will water the mouth of many a present-day private investor.

One particular "killing" in the 1930s indeed might well attract the charge of "insider dealing" now. Overhearing a telephone call whose purpose clearly was to instruct Nutt Hume, then head of Charterhouse, to bid £7 a share for an unnamed company, the enterprising young Kinross (armed also with the total value of the proposed bid) spent several painstaking hours hitting on the intended victim. When a bid was made by J. Sears for Freeman, Hardy & Willis, his total gain was over £3,500.

In another passage the man who in the 1950s and 1960s wrote the "Candidus" column in the Investors Chronicle writes as a general rule, "Backing the right man is, in my experience, the way by which one makes really big money on the Stock Exchange. 'In and Out' dealing is a mug's game which, incidentally, is very time-consuming. I always listen, but seldom act on a broker's advice."

There are other lessons which emerge from Kinross's life, together with observations on City characters both dead and alive. Not everyone will know, for example, that Roy Jenkins worked at ICFE in its early days; while Deeds Lowson showed his less ethical side well before his well publicised activities in the 1970s.

"It is sad that such a man as Lowson was able to become Lord Mayor of the City of London in 1953," comments Kinross.

Fifty Years in the City is the account of a lifetime largely in the City — still continuing, it should be said, mainly to the benefit of charities established with his own money. The audience for these memoirs will be mainly those with an interest in the City and its ways and those running smaller businesses.

Tim Dickson

In brief...

ALMOST 4,000 visitors turned up to the "Can You Make It?" exhibition in London last week. Altogether 49 large companies (including the likes of International Harvester, Pilkington Brothers, IBM and Lucas) put a total of 600 imported components on display in the hope that alternative UK-based suppliers might be found.

It is too early to judge the success except to say that the enthusiastic response far outstripped the organisers' expectations.

There were, however, two worrying impressions from exhibitors. Firstly, there is clearly tremendous surplus computer numerical control machine tool capacity among small UK engineering businesses at the moment. Secondly, while there was a deluge of enquiries for "basic metal" machining bits and pieces, there was only a trickle of interest in the more sophisticated components, encapsulation processes and micro-electronic assemblies.

THE European Financial Marketing Association is organising a seminar in Munich entitled "Capital Resources for Small and Medium Sized Companies" from April 25 to 28. Details from EFMA, 7 Rue Royale, 75008 Paris. Telephone (1) 742.52.72.

ABOUT 35 business people who run successful small- and medium-sized companies will tonight troop into Number 10 Downing Street for the third in a series of receptions thrown by the Prime Minister for those involved in rebuilding Britain's industrial base.

Those invited include a 28-year-old woman who runs a two-year-old "dial a daily" service called MOPPS in County Durham, which has a £12,000 annual turnover. One of the larger businesses is a West London screen process ink manufacturer, Sericol, which has built up a £12m turnover with 420 employees over the past 30 years.

In addition to the Prime Minister, they will meet other members of the Government including John MacGregor, Industry Minister responsible for small firms.

The invitation list has been drawn up by the Industry Department's regional offices whose staff have looked for companies that have been founded or expanded by the efforts of a single entrepreneur. Employees have been invited as well.

A bridge between craftsmanship and business

BY RAYMOND SNODDY

THE joints of the stool John Varley was making fitted beautifully and he was clearly rather pleased with one of his first efforts. He had been so busy taking that if he had charged an economic rate for his time the simple stool would probably have been too expensive for anyone to buy.

"I'd be able to do it in a third of the time with more practice," he says.

Making furniture is a new departure for John Varley. Until recently he was a research manager in ICI's Plant Protection Division. When the chance of voluntary redundancy arose he took it and now at the age of 41 he is a student at a unique school — the John Makepeace School for Craftsman in Wood — where the fees for the two-year course are £5,000 a year.

By the end of next year, he should be producing a dining table or a desk for his first client.

Varley, who has a post-graduate degree in tropical agriculture, says that he made this dramatic change because he found little opportunity to use his creativity or judgment in a large organisation. Instead of being in charge of some hundred people he wanted to be responsible for his own immediate family and perhaps later a few apprentices.

Other students include a redundant BL salesman, a telephone exchange planner who sold a house in Bristol to pay the fees, a former manager of the Cornish Furniture shop in London's Fulham Road and Princess Margaret's son Viscount Linley.

Yet the school, which was founded in 1977 and set in Parnham House, a Plantagenet manor in the village of Beaminster, is far from a romantic rejection of the modern world and its values.

It is, in the words of one of the school's patrons, Professor Patrick Nuttgens, an attempt to reverse the neglect of "the culture of doing and making". It is also an attempt to forge a link between the traditional world of the craftsman and the world of business without compromising individual creativity. Run by the Parnham Trust as a

non-profit-making educational charity, the school has already turned out 28 students with certificates of merit after completing their course and 26 have set up their own businesses. It has also been the pattern for similar schools in the U.S., Australia and Japan.

The Parnham Trust is at present planning to branch out by opening a School for New Woodland Industries. The plan is to give 24 residential students a two-year course to include woodland ecology, practical forestry, manufacturing techniques for small roundwood, design and business practice.

The Trust is trying to raise £400,000 to buy Hooke Park for the school. Situated three miles from Parnham it comprises 146 hectares of mixed woodland, currently owned by the Forestry Commission.

The Parnham Trustees are also planning to set up training workshops for apprentices. Each of four master craftsmen, specialising in different products, will take on and train four local apprentices.

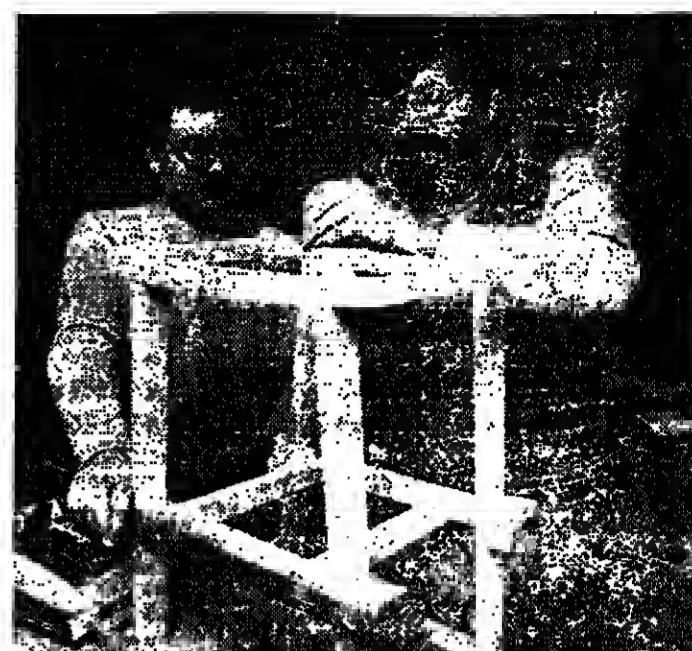
Workshops

Students at the existing school for craftsmen start work at 8 am and are as likely to start studying accountancy, marketing and how to get grants from local authorities as the principles of design. From the beginning all students keep time sheets and their work is costed.

"When they first come students' work will be worth 50p an hour, at the end of the first year £2 and at the end of the second year, if they combine a sense of design with technical skills, £5," says John Makepeace, founder and director of the school.

At 41, he is a distinguished craftsman/designer in his own right, some of whose work is already changing hands at double its original price and finding its way into museums. Makepeace believes "a major revival of the decorative arts" is under way.

"I think the market is moving very much towards acquiring high quality furniture and as a result the more



John Makepeace (left), founder of Parnham House, with student John Varley, who has forsaken research management with ICI for the craftsman's life

hanal furniture manufacturers are suffering very much through recession," says Makepeace.

From starting out as an apprentice earning £3 a week examples of his work now grace Keele College, Oxford, and the boardrooms of Reed International, Kodak and British Caledonian; and he has realised his long-held ambition to set up a school for craftsmen in wood.

During the 1960s he trained individual students at his workshops near Banbury, Oxfordshire, but feared that he could only partially equip them for survival in the outside world.

In 1973 he sold his workshops and bought Parnham House for £100,000; the following year, with the help of EEC funds, he set up the Parnham Trust.

The students — 10 start each year — learn the skills of joinery, progress to cabinet making and then on to machining and wet wood techniques. In their second year students have to design and complete major pieces of furniture. But throughout the two years lectures from visiting designers and craftsmen from all over the world are interspersed with advice on how to run a small company.

Richard Martin, who runs his own wood manufacturing business with a firm turnover after four years, and who was once to marketing with Tate and Lyle, advises the students on how to sell what they produce.

"The students tend to be offended when first introduced to hard-nosed marketing but it opens their eyes," says Makepeace. Vivian Stokes, a business consultant who has done work for ICI and Short Brothers in

Belfast, tries to teach them what will work in purely business terms. They also receive advice from an accountant.

Students have to design and make a batch of 20 of an object of their choice and sell it at economic prices. They also have to do a detailed survey of an area of the country where they intend to set up in business. Photography is also studied and students learn how to write their own Press releases so that they can publicise their first exhibitions.

At the end of the course a Press show is held at Parnham House; and students exhibit their output at the Royal Agricultural Society show at Stoneleigh each summer.

Last year the Victoria and Albert Museum bought examples of the work of a Parnham student, Verena Weirich of Hamburg for its 20th century collection.

Other former students are already running their own workshops. Nick Partridge had been a company secretary with a paper company. He's now making writing desks, dining tables and other domestic furniture from a workshop in Wiltshire. His brother Jim has developed a new way of turning wet wood and has had a national exhibition of his bowls which are already becoming collectors' items.

Makepeace hopes that eventually the work of the Parnham School will stimulate the growth of craftsmanship and woodwork skills and that in time his former students will help to raise Britain's reputation for furniture design.

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The Plims. 2.00 Girls' Girls!
Girls! (film 1982), starring Elvis
Presley. 3.35 Leon Errol in the
Spook Speaks. 3.53 Regional
News - for England (except
London). 3.55 Play School.
4.20 The All New Popeye Show.
4.40 The Record Breakers. 5.05
John Craven's Newsround. 5.10
Rentaghost.
5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
6.55 Buns Bunny in "Hare
Tonic".
7.05 Young Musicians of the
Year. The brass semi-
final.
7.40 Q.E.D. "The Proof of the
Pudding".
8.10 Flesch and Rood. A serial
by John Fitch, starring
Thors Hinch and Bill
Fraser.
9.00 News.
9.25 Play for Tomorrow:
"Bright Eyes" by Peter
Prince.
10.20 Soovon on Camera.
Snowdon tries to assess
the "worth" of a photo-
graph.
11.03 News Headlines.
11.05 Harry O. Detective series
starring David Janssen in
"Mortal Sin".
11.55-12.00 Weatherman.

All IBA Regions as London
except at the following times:-

ANGLIA
9.30 am Sesame Street. 10.30 Home.
10.55-11.00. 11.35 The Amazing
Mondays of the Great Train Engine.
11.50 Watoo Watoo. 12.30 pm Gar-
dening Time. 1.20 Anglia News. 3.50
Loose Remit. 5.15 Old and New.
5.40 About Anglia. 10.00 Anglia Late
News and Weather Forecast. 11.45
Quizz. 12.40 Tuesday Topic.
BORDER
9.30 am Friends and Strangers. 8.55
Joe 90. 10.20 World News Roundup. 11.10
Untamed World. 1.20 pm Border News.
5.15 Radio. 6.00 Lookaround. Tuesday.
9.00 The Brack Report. 11.45 Border
News Summary.
CENTRAL
9.25 am 3-2-1-Contact. 8.55 Pro-
Celebrity Angling. 10.30 Jewellery
Through 7,000 Years. 10.45 Portrait of
Power. Hitler. 11.10 Testate. 12.30 pm
The Young Occasions. 1.20 Central
News. 5.15 Radio. 6.00 Crossroads.
6.25 Central News. 11.30 Central
News. 11.35 Pro-Celebrity Angling.
12.05 am Tuesday and Blues.
CHANNEL
12.30 pm Channell. 1.20 Channel

(S) Stereophonic broadcast
(when broadcast on VHF)

RADIO 1
6.00 am As Radio 2. 7.00 Mike Read
including 7.45 Action Special. 9.00
Simon Bates. 11.20 Paul. 8.00
12.30 pm Newsbeat. 2.00 Steve Wright.
4.30 Peter Powell. 7.00 Talkabout.
8.00 David Jensen. 10.00 John Peel
(S).
RADIO 2
6.00 am Nick Page. 7.30 Ray
Moore (S). 10.00 Jimmy Young. 11.00
12.00 Gloria Hunniford (S). 1.45 Sports
Desk. 2.00 pm Ed Stewart (S). 4.00
David Hamilton (S). 6.45 News.
Sport. 8.00 John Dunn (S). 8.00 The
Golden Age of Hollywood (S). 9.00
Lectin to the Stars (S). 9.30 The
Organist. 10.00 The
Arthur Askey Show. 11.00. Bono

TELEVISION

Chris Dunkley: Tonight's Choice

Cole Porter's songs are the most important ingredient of the 1953 musical Kiss Me Kate which BBC2 screens early in the evening. They include "Always True To You Baby In My Fashion", "So In Love" and "From This Moment On". The story is, of course The Taming of the Shrew, told as a show-within-a-show with the male star casting his former wife and his girl friend in the roles of Katherine and Bianca.

Later BBC2 presents the final of this year's Pot Black snooker championship in which thousands will be backing Steve Davis to beat Eddie Charlton even though Charlton has competed every year since 1972 and won three times. Davis, however, who only went professional in 1973, has never won. The pot is that he's too virtually everything else in the past two years and is easily the most attractive player of the game today.

The Play For Tomorrow "Bright Eyes" by Peter Prince. Snowdon tries to assess the "worth" of a photograph.

11.03 News Headlines. 11.05 Harry O. Detective series starring David Janssen in "Mortal Sin".

11.55-12.00 Weatherman.

11.00-11.25 Play School. 5.10 pm Stantobury: A Blue-print. An experimental way of planning the school curriculum.

5.40 Hawk of the Wilderness. The Saga of Noggins the Nog.

6.05 Langley Smith. Bob Langley travels to Antarctica.

6.30 One hundred Great Paintings.

3.50 Watoo Watoo. 3.50 Channel 4. 10.28 Channel 4. 10.28 Channel 4. 10.28 Channel 4.

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LONDON

9.30 am World Famous Fairy Tales. 9.45 Wild, Wild World of Animals. 10.10 Animated Classics. 10.55 A Big Country. 11.25 Paint Along with Nancy. 11.55 The Bubbles. 12.00 Burton. 12.10 pm Let's Pretend. 12.30 The Subways. 1.00 News. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.25 Racing From Epsom. 3.50 Home Sweet Home. 4.20 Co Safari. 4.45 CB TV Channel 14. 5.15 The Brady Bunch. 5.45 News. 6.00 Thames News. 6.25 Help! 6.35 Crossroads. 7.00 Horace. 7.20 Give Us A Clue: Host Michael Aspel. Captains Johnnie Walker, Lesley Ash, Kenny Ball, Judith Chalmers, Justin Fashanu, Nicky Henson, Nerys Hughes. 8.00 Sorry I'm A Stranger Here. Myself. Robin Bailey in "First Take Your Shepherd". 8.30 The Morecambe and Wise Show. 9.00 The Brack Report. 10.00 News including Falkland Islands report. 10.45 The Human Race. 11.30 Kaz. 12.40 am Close: "Sit up and Listen".

* Indicates programmes in black and white

TVS

8.35 am Kum Kum. 10.00 Survival. 10.30 Tarzan. 1.20 pm TVS. 1.55 News. 11.30 Sports. 12.00 Comedy.

TYNE TEES

8.30 am The Good Word. 9.25 North East News. 9.30 News. 9.55 News. 10.10 News. 10.30 News. 10.55 News. 11.10 News. 11.30 News. 11.55 News. 12.00 News.

ULSTER

1.20 pm Lunchtime. 4.15 Ulster News. 5.30 Ulster Evening. 10.30 Ulster Weather. 11.30 News at Bedtime.

YORKSHIRE

8.30 am Larry the Lamb. 9.00 Soames Street. 10.40 Patience. 11.05 Underneath the Alamo. 11.55 The Underneath. 12.00 News. 1.20 News. 1.30 News. 1.40 News. 1.50 News. 2.00 News. 2.10 News. 2.20 News. 2.30 News. 2.40 News. 2.50 News. 3.00 News. 3.10 News. 3.20 News. 3.30 News. 3.40 News. 3.50 News. 4.00 News. 4.10 News. 4.20 News. 4.30 News. 4.40 News. 4.50 News. 5.00 News. 5.10 News. 5.20 News. 5.30 News. 5.40 News. 5.50 News. 6.00 News. 6.10 News. 6.20 News. 6.30 News. 6.40 News. 6.50 News. 7.00 News. 7.10 News. 7.20 News. 7.30 News. 7.40 News. 7.50 News. 8.00 News. 8.10 News. 8.20 News. 8.30 News. 8.40 News. 8.50 News. 9.00 News. 9.10 News. 9.20 News. 9.30 News. 9.40 News. 9.50 News. 10.00 News. 10.10 News. 10.20 News. 10.30 News. 10.40 News. 10.50 News. 11.00 News. 11.10 News. 11.20 News. 11.30 News. 11.40 News. 11.50 News. 12.00 News. 12.10 News. 12.20 News. 12.30 News. 12.40 News. 12.50 News. 1.00 News. 1.10 News. 1.20 News. 1.30 News. 1.40 News. 1.50 News. 2.00 News. 2.10 News. 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Tuesday April 20 1982

The mysteries of tax law

BRITAIN'S commercial legislation is becoming increasingly incomprehensible. This would not matter too much if it was purely the lay public that was mystified by the tortuous clauses that encase our law. After all, why else do we employ lawyers and experts? But the legislation has now become so impenetrable that even experts are often totally bemused.

Take, for example, this year's Finance Bill. It took practically a week for the combined intellectual application of the financial community to discover that a clause effectively ended "bed and breakfasting," the traditional way in which investors in stocks have maximised their capital gains tax exemptions and reliefs. It is not as if this was a slight wrinkle in commercial activity. "B and B" is a widely used staple of investment practice.

Nor did the change come completely out of the blue; before the Bill was published there had been word that the practice might be stopped and accordingly everyone was on the lookout for the possibility. Finally, the Finance Bill hardly rates as obscure hole-in-the-corner legislation; there is a sophisticated and large competitive industry, incorporating lawyers, accountants, stockbrokers et al following the chase.

Detail

Yet on this occasion even the experts, belatedly worried about the implications of Clause 73, were unable to conclude for certain that it banned "B and B" until they received confirmation from the Inland Revenue, which had drafted the clause.

There seem to be two basic reasons for the difficulty in interpreting UK law. The first is that legislation aims at covering every conceivable eventuality, both current and in the future. This means that the law is presented in enormous detail, and omits a general statement of purpose—common in Continental law—to help judges and others in interpretation. Of course, it is in the way of things that draftsman cannot foresee the future—and certainly not beyond a few years. So judges

are forced to work with inappropriate legislation without even the help of a statement of Parliament's general intentions when the Act was passed.

Hurdle

The second hurdle is the way laws are drafted by reference to previous legislation. This applies particularly to revision of Acts of Parliament. The series of cross-references to different Acts required to follow a single piece of legislation are often more appropriate to a small computer than a human brain. Some of the most senior judges in the land have confessed privately that there are bits of legislation that they have never managed to unravel. So it is not surprising that when it comes to interpreting law, judges are often on their own with the result that the body of case law which backs up legislation incorporates endless contradictions. Examples are numerous. There are still a substantial disagreement between the commercial court and higher courts on the interpretation of the Arbitration Act, for instance. Tax law is in complete flux after the Law Lords introduced the concept of artificiality last year, only to abandon it in some decisions this year. At a more mundane level the House of Lords ruled at the beginning of March that light fittings enjoyed the status of plant for tax purposes, and a bare week later the same court ruled that they did not.

Impact

All this has an adverse impact on business and commerce. Uncertainty means that investors must always budget for the most unfavourable interpretation of the law, an inhibiting element in calculation of return on capital. New projects mean that companies have to run to lawyers for advice—at a price—more often than they should. And quite apart from the direct cost of a legal action, which is always tempting when the conclusion is likely to be arbitrary, the burden on management time can be considerable. Uncertainty may also undermine the UK's attractions as a centre for international dealings backed by a legal framework.

Turkey's links with the West

THE DRIFT of events in Turkey gives cause for concern for the country's generals are proving their own worst enemy. Their successes in their 19 months in office are tangible. Political violence has been curbed. The gunmen have been disarmed. The authority of the state has been re-established. Equally, a crumbling economy has been turned round. Inflation has come down from an annual rate of over 100 per cent to around one-quarter of that. Turkey can again venture into the international capital markets. The stabilisation programme carried through by the generals has been "remarkably successful," according to the recent OECD report on the country. Certainly, there has been a price. Real wages have fallen sharply and unemployment continues to edge up. But any criticism in this field should not be because of what the regime has done. Instead, it should concentrate on the further measures needed to make a long cocooned economy more efficient.

Problem

However, the problem is that the generals do not appear to recognise what they have achieved. There is no credible challenge to their authority. Instead this is the time for them to take advantage of the confidence which should be theirs. They are not doing so. They need to build bridges with the former political world to which—once it has been suitably chastened—authority will be returned under the general's announced timetable. However, they have chosen to start prosecuting or imprisoning leaders of what not so long ago was the country's largest party.

They need to prove they are evenbanded. Yet they are allowing right-wing prisoners accused of violence and alleged torturers free on bail while keeping in their cells those on the left accused merely for their ideas.

Pressure

The generals have to ensure the support of the opinion formers in their country. But they are progressively rounding up those whose ideas do not fit in with their definition of Kemalism—the philosophy of Kemal Ataturk, founder of modern Turkey. Further, the generals are extending the pressure they have been putting on

the local press to foreign correspondents.

Such actions mean that Gen Kenan Evren has made it difficult for those in the West who would like to help them. The arrest of Mr Bulent Ecevit, the former Prime Minister, insensitivity over torture and executions, harsh measures against trades union leaders—these are slaps in the face of many of Turkey's friends. Parliamentary Europe has complained in public. Governments such as those of Britain and the U.S. are doing so in private.

Enmeshed

It is now almost 40 years since Turkey linked itself to the fate of the West. It has allied with Nato, formed an association with the EEC and joined the Council of Europe. Almost two-thirds of its trade excluding oil is with the Western bloc. Most of its finance and aid comes from the West. It has in other words become enmeshed in the Western system and as part of a conscious choice.

The country's post-war rulers wanted economic development and security against Soviet threats. They needed Western technology and they endorsed Ataturk's view that modernisation of the country required the acceptance of Western ideas.

Previous regimes accepted that this choice also meant they had to adopt other elements of Western life. In particular some form of liberal democracy. The individual was to be given a status he had not previously enjoyed.

Petulance

When it came to power in September 1980 the present junta seemed to endorse this consensus. It appeared to offer the only chance of rectifying the problems that had arisen. It has committed itself to holding general elections in less than two years. But its recent acts have shown increasing petulance towards West Europe and a lack of understanding of Western concerns.

The generals may believe that their reduced requirements for aid allow them to plough their own course. But politicians of two generations have agreed that Turkey should accept both the benefits and obligations of links with the West. It is not for the military to reverse this position.

THE LAW OF THE SEA

Why the 'miners' are wary

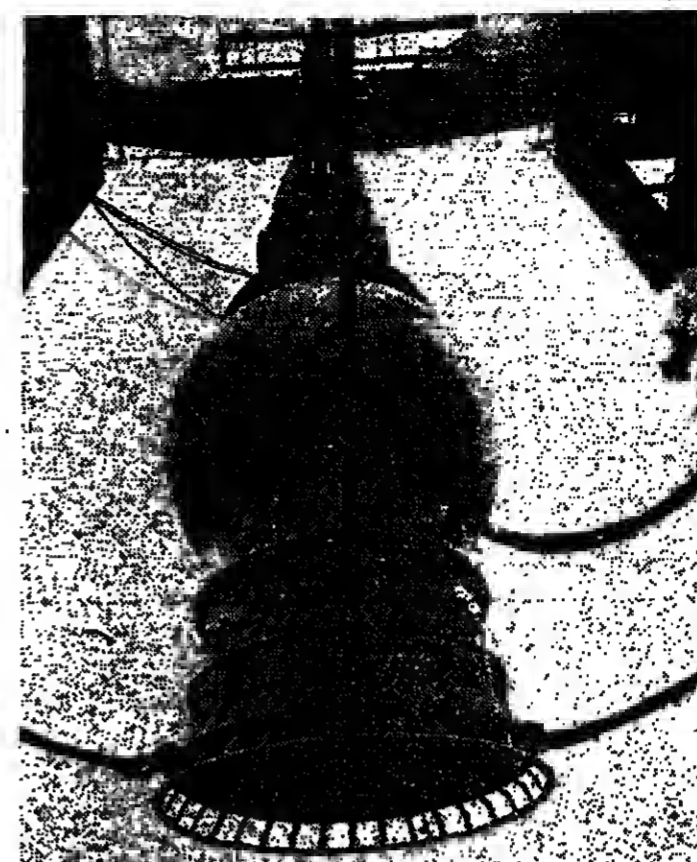
By David Tonge, Diplomatic Correspondent

DEEP SEA MINING CONSORTIA

Usual name/title	Partners	Spending to date \$m	1982 Budget \$m
Lockheed Group/Ocean Minerals Co. (OMC, OMCO)	Lockheed Missiles and Space (30 per cent) Billington (Royal Dutch Shell) (30), Sea Killa Westminster (10), Standard Oil of Indiana (30)	720	5
Kennecott Group/Kennecott Consortium	Kennecott Copper (40), RTZ, Consolidated Goldfields, BP, Noranda Mines, Mitsubishi (all 12)	50	1
U.S. Steel Group, or Deepsea Ventures/Ocean Mining Associates (OMA)	U.S. Steel, Union Miniers, Sun, Sumit (ENI) (all 25)	100	10
Inco Group/Ocean Management Incorporated (OMI, OMINC)	Inco (25), Sedco (25), AMR, made up of Metallgesellschaft, Preussag and Salzgitter (25) and 23 Japanese companies (25)	60	2
Franch Group/Aferom	CNEC and CEA (50), and Societe Le Nickel and Chantiers de France-Dunkerque (jointly 50)	40	16
Japanese Group/Deep Ocean Minerals Association (DOMA)	39 Japanese companies including Mitsubishi, Mittani, Nippon and Sumitomo groups, overseen by Ministry of International Trade and Industry	40	7.5

The Continuous Line Bucket Syndicate of 20 companies from six countries, including several other consortia, tested one system in 1970-72 but is not active today.

Sources: indicative figures from the companies involved



Ashley Ashwood

A Lockheed Petroleum Services' diving bell on board Star Archimedes in the Pool of London seems to symbolise the question mark hanging over future deep sea operations

criticised the subsequent concessions made to the Third World.

The Soviet Union has supported the position taken by most Third World states and has been a vehement critic of what it sees as the Reagan Administration's reversal of the previous U.S. position.

A comment in Socialist Industry newspaper on Sunday said, "influenced by mining and steel making companies, the Reagan Administration went back on previous accords and unilaterally demanded a revision of the most important sections of the convention."

This article was essentially a comment to justify a new Soviet decree published at the weekend which provides a legal framework for Soviet enterprises to search for minerals on the sea bed. But such prospecting would only start in 1988 and then only if an international Law of the Sea had been passed in the meantime.

The problems arising from the discussions with the Third World include production limits, the obligation to give technology secrets to the Third World (which might require U.S. companies to pass on any U.S. navigation practices they use as well as metal raising techniques) and a lack of protection for "pioneer" investments.

"The present text is not on. I know it. I have done the rounds. The universal response of oil companies and banks is that they will not invest unless there are basic changes in the

text," says Mr Conrad Walling, senior vice-president of the Lockheed Group.

"No one in their right mind would operate under today's draft," adds Mr John Rhea of the Dallas-based metals firm, Sedco, this year's chairman of the Inco consortium.

The disincentive for the companies is compounded by the fact that most have now reached the stage where they need to invest much more heavily.

The Lockheed Group argues that its next step requires spending \$300m over five years; this would be to build a serious

U.S. Steel might settle for around 10m tons.

There still seems an element of space fiction about what the companies are proposing. The French Group, Aferom, is exploring the possibility of using unmanned shuttles to gather up the potato-like manganese nodules found over large areas of the seabed at depths averaging 5,000 metres. All the other consortia have settled for the idea of dredging the nodules and then pumping them up a long pipe to a barge the size of a football field on the surface.

Without a satisfactory international régime, there will be no commercial mining

Mr George Zahm, director of operations at the U.S. Steel Group

pilot plant capable of handling up to 36,000 tons of nodules a year. Only after this would it move on to the \$1bn investment required for a 3m tons per year commercial venture.

Most other consortia argue that they have now done all the research they need. They are staying below decks until better conditions allow them to raise the \$1.5bn needed to build actual plants. They are generally thinking in terms of an annual throughput capacity of 3m tons per plant, though

it is a technique which has been compared with sucking peas up a borsopipe from the top of the Post Office Tower in London in a high wind, or groping from the summit of the Eiffel Tower to collect sand from the ground. The U.S. Steel group would use an airlift to suck up the nodules; this involves pumping air well down into the sea and using the lift caused as it rises. The Kennecott group seems to prefer a hydraulic lift. The Inco Group is tending towards a mix of

these two approaches while the Lockheed Group has not publicly chosen.

One of the rare contracts recently awarded in this sector was in February when the U.S. Steel Group awarded a \$500,000 project to Snamprogetti, of Italy's ENI group, and Creare of Hanover U.S. to develop a simulation model for testing techniques for raising the nodules as a slurry.

Processing of the mineral-rich nodules would be carried out on shore. The U.S. Steel group plans to use a pyrometallurgical smelting process because it needs the manganese this would produce. Most other groups have chosen some form of leaching process.

But economic and political factors are also crucial. "The present world economic situation and present metal prices mean no one is going to be deep sea mining," according to Mr Rhea. Mr George Zahm, a director of operations at the U.S. Steel Group, also emphasises the problems caused by the relative depression in current metal prices, but Mr Walling of Lockheed takes a longer view and argues that later this century there may well be metal shortages and the consortia must be in a position to meet these.

The consequence of all this is that the present activities of the consortia are limited:

● The Lockheed Group. This has retained around 30 staff to help it lobby governments, sort out the legal title to mining sites, and keep an eye on

developments such as the polymetallic sulphides which have been found in relatively shallow waters in the Pacific.

● Kennecott Group. Like Lockheed this is concentrating on establishing title to mining sites and following the Law of the Sea talks. Most of the smaller partners in the consortium have only two or three part-time staff involved.

● U.S. Steel Group. This is continuing work on production problems and analysis of the bottlenecks which could emerge in production. It is also active in exploration.

● Inco Group. Processing data from earlier exploration and test mining work. Developing exploration tools such as underwater television and filing data with the governments in Washington and Bonn.

● French Group. This is working on all stages of the problem of extracting deep sea minerals, from exploration, licensing and evaluation of deposits to analysing the "hose pipe" method and considering use of some kind of unmanned submarine to plumb the depths. The group has no permanent staff of its own but works through its constituent agencies and subcontractors.

● Doma. Exploring a wide sweep of the Pacific south of Hawaii and co-ordinating the results of research by its 39 member companies.

Yet, when all is said and done, most consortia insist on the need for an overall treaty under which to operate. "Without a satisfactory international regime, there will be no commercial mining," says Mr Zahm. Most firms are thus keen that the present conflict between Washington and the developing countries does not lead to a breakdown of negotiations.

However, they believe there is something to be gained from harmonising the interim national legislation, which Britain, France, the U.S. and West Germany have passed. This legislation is intended to give the companies a frame-

Most consortia want to operate under an overall treaty

work to act within until the major Law of the Sea Treaty comes into force in the hope is, 1988.

Harmonising this legislation in a "mini-treaty" has been strongly advocated by the U.S. The Inco group thinks such a mini-treaty, formally known as a Reciprocal States Agreement, could adequately protect it. The Kennecott Group believes it would be "kind of shaky" to invest \$1.5bn under the limited protection it would give, but that an agreement could help to make any Law of the Sea into what it regards as more commercially realistic directions.

Men & Matters

Young men's gold

BY the time hoarse dealers on London's new gold futures market called it a day at 4.40 pm yesterday afternoon and treated tired traders to a 40p of champagne, the gold market was riding a winner. The market, on its first day, set a brisk pace from the start and \$40m worth of gold futures business was handled in lots of 100 ounces.

Trading in the fast-growing chain of London futures markets is decidedly a young man's game. It calls for nerve, verve, stamina and a lusty pair of lungs to match shout against shout in the trading rings. Which is why so many of the principal characters now seeking their fortunes on the market floors are on the right side of 30.

First chairman of the floor committee in the gold market, a sort of sergeant-major role to keep discipline among a volatile set of City gents—is Mark Edwards who has been elected by his peers at the 30-year-old age of 25. He joined GIB and Duffus as a trainee graduate four years ago, cut his teeth on soft commodities when sugar boomed and then became a trader on the London Metal Exchange. Occasional fatherly advice may have helped him walk tall in the markets for he is the son of our own commodities editor John Edwards.

A new soyabean oil futures market also opened in London yesterday and the gas oil market is celebrating a most successful first year's trading. But of all the new futures markets developments in London potentially the most exciting and most profitable is the London International Financial Futures Exchange (LIFFE) which is to open in the Royal Exchange opposite the Bank of England in September.

While builders are putting the finishing touches to the new trading area the membership of the exchange is going back to

school to brush up techniques of high finance. Bernard Reed, a Harvard Business School man and LIFFE's marketing and education manager, has a 250,000 budget to run courses for nearly 1,000 of the hopeful fortune seekers.

Merchants have been trading on the Royal Exchange pitch since 1569. If the stories of the building could speak they could teach their new tenants a thing or two about the nuances in making a good deal.

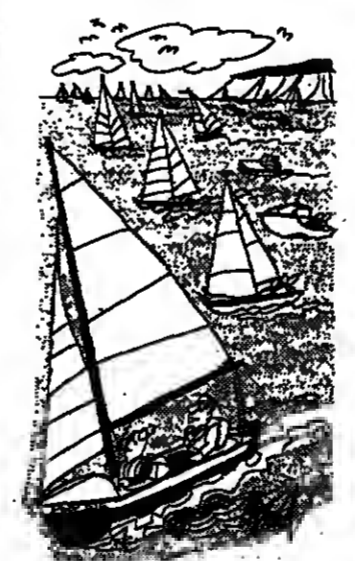
Changing course

Good Food Guide editor, Christopher Driver has had enough. After 12 successive editions—one more than his predecessor Raymond Postgate produced—another might amount to surfeit, he feels, and he is leaving the Consumers Association in the autumn.

"I could not very well go on doing the job for ever," he says, "and now that food has become fashionable, it seemed a good time to get out."

A former Guardian journalist, the 49-year-old heavily-bearded Driver turned the guide into an annual publication in 1971 and has kept it in the non-fiction best-selling lists since. The touch of acidity which marked his editorship may have upset a few restaurateurs but it sharpened the appetites of his readers.

During his years as a gastronomic guru, Driver claims: "I have been extremely indulgent towards a great many restaurants, most of which deserved it; and fairly sharp about a number of others all of which deserved it."



"I hope Nott realises that it will take us a lot longer to get to the Falklands than to Dunkirk"

about what he will do next. But it will almost certainly involve books in one way or another. He does occasional stunts as book-page editor for a weekly magazine and owns a second-hand book shop in Dorset.

He is currently writing a social history of British eating habits during the past 40 years. "It looks at the moment as if the book might begin and end on Argentine beef," he says.

Reagan's mite

President Reagan is doing his bit—his tiny bit—to help bridge America's gaping \$100bn budget deficit.

As the annual tax payment deadline fell last week, he was filing his return with the Internal Revenue Service like millions of other Americans.

The White House reveals he earned \$412,730 on which the tax due was \$185,291. But Reagan had already paid advance tax of \$185,305, so strictly speaking the IRS owed him \$14.

But loyal citizen that he is, Reagan told them they could keep it—and credit him with it next year. At current interest rates that should give the Treasury a chance to earn an extra \$190.

And every little counts these days. Because of huge staff cuts, the IRS is fighting a losing battle against tax evasion. By its own estimates, Uncle Sam will be deprived this year of nearly \$900m, more than 10 per cent of his fine revenue.

By a happy coincidence, that is close to the amount of this year's budget deficit, which shows that there are more ways of balancing the books than buying fewer battleships or boosting taxes.

In fact, dollar for dollar, tightening tax enforcement is probably the best investment Washington could make. The IRS says that for every dollar it spends chasing the fiddlers, it recoups about \$10 in unpaid taxes.

The President seems to be buying that argument. Next year he wants Congress to authorise the IRS to increase its staff by 3,000. The IRS not being everybody's best friend, the response from Capitol Hill to his request is awaited with some interest.

Identity card

From a New York newspaper: "The accused, a 20-year-old Arab, was identified as Muhammad Rahman Mubarrak bin Ali Bellamchi. He said he was an artist and had come to the United States to make a name for himself."

Observer



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Letters to the Editor

The question of receivership and reorganising the system

From the Finance Director,
Stone-Platt Industries
(in receivership)

Sir—As a relative newcomer to the Stone-Platt Industries board, which I joined as finance director in November 1981, I would like to comment on Mr. J. Langham's letter of April 13, in which he said that "somebody should try to put the record straight." In all honesty I do not feel he succeeded in doing so.

It may be true that the industrial logic of the merger of Stone's and Platt's businesses in the 1970s was ill-conceived. It must, however, also be said that the profits from the textile machinery division did sustain the electrical division at a critical stage in its development.

After a two-year struggle to reduce Platt's losses, cashire overcapacity and thus return it to viability, the new board had decided to dispose of the textile machinery division. This would have resulted in a smaller but viable and profitable group, which was to be renamed Stone International.

It seems clear from an analysis of the historical results that SPI was moving into trouble in 1978 because firm action had not been taken to reduce PSL's Lancashire capacity.

During Mr. L. Pincott's period in office of only 18 months, however, he and his new board had achieved a considerable amount. The process of reduction involved massive equity write-offs, including large sums on the disposal of both the fixed

and controllable pitch-propeller businesses and Stone Wallwork, which were previously under the executive control of Mr. Langham. During 1981 action initiated by Mr. L. Pincott resulted in employees reducing from 10,345 to 7,097, with a further planned reduction to 3,800 by the end of 1982. The savings from these cost reductions, together with other cost reductions and disposals of unprofitable units, would have allowed the group to emerge into 1982 with profits sufficient to give an interest cover of three times and a debt/equity ratio of about 60 per cent.

Sadly this potentially profitable group was not allowed to survive the recession as the banks in their wisdom felt they could not continue to support the group level of borrowings, although the institutional shareholders, who were prepared to consider another rights issue, were confident about the viability of the restructured group.

The representation of the institutional shareholders on the SPI Board undoubtedly contributed to their understanding of the group's businesses and potential, thereby enabling them to contribute to and to be supportive of the Board's proposals. If the banks had been similarly represented on the SPI Board it is possible that they might have felt equally supportive.

Thus the concept of involving the banks in a preventative role, perhaps by having their representative on the Board, rather

than have them employ monitoring accountants which is the current procedure, could be a constructive solution to the problems encountered by the SPIs of this country. This concept is not new and hopefully it will be one of the recommendations contained in Sir Kenneth Corke's final report on insolvency law now awaiting a reaction from the Secretary of State for Trade.

If this concept were implemented the main contributors (major shareholders and banks) of company funds could ensure that management's performance achieved certain minimum targets and where a company was in decline, make sure that the necessary reductions were carried out in an orderly fashion in the interests of all shareholders, lenders and employees.

A system which harnesses all the contributors towards a common performance goal must be more satisfactory for industrial efficiency than one which relies upon the receiver route as this only protects the interests of one contributor at the expense of the rest.

T. D. Murphy,
Stone-Platt Industries,
Astral House,
17-19 Maddox St., W.I.

From Mr. H. Wignam
Sir—I studied Mr. Langham's long letter on Stone-Platt (April 13) in vain for any reference to the harm done by a regime of high interest rates — which ironically on the

opposite page were stressed as a major factor undermining industry in the U.S. — and a bloated exchange rate. Equally and again in vain, I looked for some awareness of the duty of a director towards shareholders and suppliers.

Clearly if there be any defect in the capitalist system it is most evident where dual interests of major parties create conflicts at the expense of others, less able to defend themselves, particularly shareholders.

Now, seemingly, well over £500,000 has been "earned" by the receivers for merely tying up the ends of the textile machine business disposal and they can look forward to a further £1m for finalising the details on the rest.

This "grave train" is travelling at shareholders' expense. In the first instance, since I am assured that shareholders' funds equal £15m-£20m, a sum likely to be reduced to nothing if the receivers proceed in their usual way. Likewise, creditors are at risk too.

It is surely to these aspects of receivership that the City must seriously address itself, particularly where directors are indifferent to the fate of all except employees and private interest. Unless it does, smaller investors and those who serve them will, and should, deny the funds which a thriving capitalist system demands.

H. Wignam,
155, Beverley Drive,
Edgware, Middx.

Why Central TV's new Nottingham studios remain dark

'Treasure Island' showdown

By Arthur Smith, Midlands Correspondent

CENTRAL, the new British independent television company set up specifically to increase coverage of the eastern part of the lucrative Midlands region, is embroiled.

Nearly four months into its contract, its new Nottingham studios, the main reason why the company won its franchise last year, remain out of action. Central unwittingly finds itself embroiled in an industrial relations crisis peculiar even by the standards of the high-paying television industry. Plans to broadcast from Nottingham had to be abandoned at least temporarily, after the studio became dubbed "Treasure Island" because many workers were picking up an extra £900 a week in special payments.

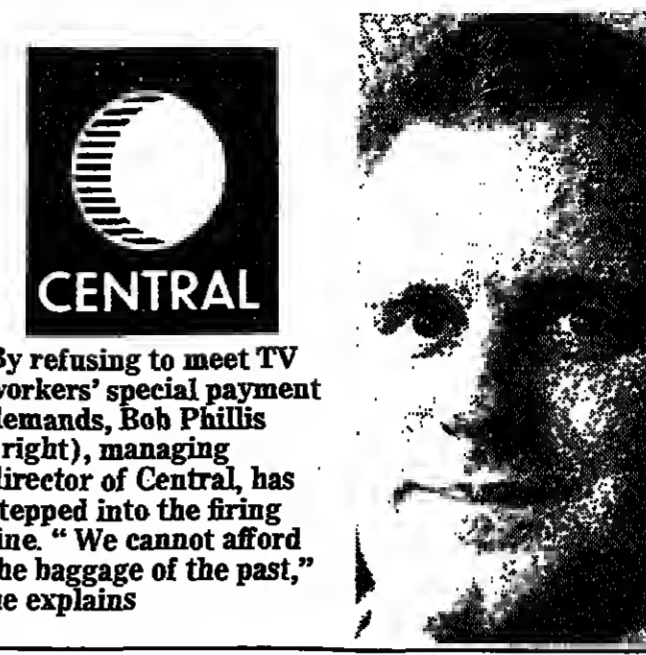
Mr Bob Phillis, the 36-year-old managing director of Central with nearly 30 years' experience and advertising revenue of more than £100m a year, knows he has stepped into the firing line. He is blunt about his qualifications: "I am not an impresario. I am not a showman. Nor am I well-versed in the particular skills of television."

Nor as a young man already into his third managing directorship is he reticent about the contribution he thinks he can make. He joined the new television company at the beginning of the year from Independent Television Publications, where he won acclaim for the successful TV Times magazine. Before that, he headed Sun Printers at Watford.

Shock waves reverberated round the television industry—certainly through the trade unions—when, on January 1, Central, despite a £500,000 advertising campaign, decided not to broadcast from new studios in Nottingham rather than concede the demands of a small group of electricians.

The move was the more dramatic since an important reason for the creation of Central to operate the lucrative Midlands franchise was pressure from the east of the region for greater coverage. The Independent Broadcasting Authority awarded a "dual franchise" requiring Central to establish an extra studio complex in Nottingham and divide production facilities roughly equally between there and the West Midlands served from Birmingham.

A compromise was eventually struck with the electricians. But days before the new launch



By refusing to meet TV workers' special payment demands, Bob Phillis (right), managing director of Central, has stepped into the firing line. "We cannot afford the baggage of the past," he explains

date of February 15, Mr Phillis delivered another shock when he postponed the Nottingham broadcasts indefinitely. He said: "New problems and demands have now been raised by all sections of our workforce — from typists to technicians and journalists."

The company's offer to second staff to Nottingham pending negotiations with the unions on long-term conditions of employment would cost an extra £2m a year in overtime, travel and hotel bills — an average of £19,500 per job — or nearly £400 a week extra for workers already paid a basic £200 to £400 salary. Some staff were drawing an extra £900 a week in benefits of this kind for reporting to a studio unable to broadcast a single programme.

Central was "no longer prepared to absorb the substantial and escalating costs," Mr Phillis insisted. Staff required to put in unusual hours, working on rostered days off and forgoing the requisite breaks between duties ran boost earnings to perhaps 16 times the normal hourly wage — £30 an hour for a man normally paid £5.

Restrictive practices and high earnings have become endemic in an industry that has enjoyed rapid expansion over the past two decades. While companies would vigorously dispute the much-publicised idea that commercial television offers a licence to print money, the trade unions have made sure they get a share of any benefits.

The unions will be watching developments at Central closely. Any breakthrough in new work practices and earnings could be used as a precedent by other companies. In private, however, television executives are sceptical. They know their trade unions still hold real power and that they must tread a narrow path to avoid a blackout.

Central's claim to be in a unique position in picking up the legacy of the Lord Grade empire. Not only must it set up a permanent new studio complex—that role it shares with the new TVS company—but it must close an existing and successful operation at Elstree, the North London home of the dollar-earning Muppet Show.

On his appointment, Mr Phillis inherited a prior obligation to offer alternative employment in the Midlands to all 900 staff at Elstree and to man his temporary Nottingham studios in the short term on a secondment basis.

Over the next few years, in order to fulfil the IBA objective of making Central a truly Midlands-based company, Elstree will be run down while jobs at the former ATV studios in Birmingham are increased by around 200 to 300 and employment at Nottingham climbs from virtually nothing to more than 500.

The class of interests is obvious. Birmingham, where the live programmes are broadcast, has long considered itself the poor relation of Elstree which has been the centre for pres-

tige productions. The different types of programme have led to different work patterns and payments.

Indeed, there is scarcely concealed glee at the tough stance taken by Mr Phillis among some Birmingham staff who complain that colleagues from London were "out to create an Elstree-on-Trent" at Nottingham.

Equally, they are encouraged that Birmingham rather than London is the headquarters of the new company. Lord Grade of Elstree, whose ACC was involved in broadcasting in the Midlands for more than a quarter of a century, was regarded as something of an absentee landlord.

Mr Phillis, a relaxed and approachable man, smokes Havana cigars rather than brandishing them in the manner of Lord Grade. Shirtsleeved in his executive suite, he explains: "We are a Midlands company serving Midlands people. The issue for Elstree is simple: Are there a hundred people initially who want to move to Nottingham and join us?"

He has made clear that broadcasts from Nottingham will not start until long-term agreements have been reached with the unions on the terms for relocation or redundancy and on work practices for a £20m studio complex now under construction and due for completion in autumn 1983.

But the longer negotiations drag on, the more the initiative will swing back to the unions who realise Central cannot afford to have a £20m studio standing idle. Equally important is the patience of the IBA which demanded the creation of Central in order to benefit the East Midlands.

Mr Phillis is confident that agreement will be reached. "We are not a cash-rich company," he points to the funding of the new studio, the cost of the introduction of Channel Four and breakfast television.

Over the next decade the whole structure of broadcasting in the UK and Europe is likely to change dramatically with the advent of satellite and cable television, he says. Commercial television currently draws the vast bulk of its revenue from advertising but Mr Phillis believes a growing proportion will come from selling programmes to other outlets. "We at Central are embarking upon a period of rapid change and we cannot afford to carry the baggage of the past."

Potential isolation from the use of electronics

From the Executive Director,
Huy Communications

Sir—Your survey about the electronic office (April 13) was fascinating reading.

As with all great technical advances, the electronic office has both potentially significant advantages and drawbacks. Who can doubt the advantages of the removal of drudgery and inaccuracy in the fields of typing, filing and recording? The increasing transfer of control to the user and the independence of distributed systems will protect companies from shortages of specialists and the potential industrial relations vulnerability of centralised processors. Offices can be cleaner and more pleasant places to work.

The most commonly expressed drawback, and one which was mentioned, is the impact of



such automation on the numbers employed, but I believe a more important concern is the effect on communications. The technologists talk as if communicating were about transferring data from one point to another, faster and more accu-

ately than before, but I am concerned about real communication, between people.

The electronic office could free people's time and provide better data for more informed and constructive interaction, between management and em-

ployees or it could lead to isolation, becoming a barrier, a shelter or an excuse for avoiding these opportunities.

As with all technical advances it is the user who determines if the result is good or bad. Unless the user is aware of the risks, however, as well as the advantages, the likelihood of good decisions being made must be reduced.

I hope that open debate and acknowledgement of the risk of isolation and the consequent decline of human interaction which could be associated with the electronic office will be encouraged and that we can ensure that the potential benefits are gained and the problems avoided.

D. M. Watkins,
Hay Communications,
52, Grosvenor Gardens, SW1.

Local government too weakened to be effective

From the Leader,
Sunderland City Council

Sir—Your leader (April 13) on "Reviving the inner cities," acknowledges the high personal priority now given by Mr Michael Heseltine, the Environment Secretary, to solving the problems of Britain's cities. You refer to the £70m special fund recently made available and say that "Mr Heseltine and his financial institutions group are playing their part to the full."

It is now up to the institutions and local councils to respond with the same sense of urgency.

May I seek to put the other side of the case? Our older urban areas do have serious problems, but they do not simply reflect the lack of project funds. Over the years, Parliament has withdrawn so many powers from local government in Britain's cities that their capacity to tackle their own problems has been weakened. This has happened under successive governments

since the war, in a seemingly irresistible process of centralisation. Urban decay has been the result of this process: local government has been deprived of the powers and resources needed to counter incipient decay, and conditions have already worsened.

The Government has pursued and is still pursuing this policy to disastrous lengths. Mr Heseltine is even now proposing to cut back the modest "2p rate" powers which have proved so important to local communities in the past.

The Government's constitutional measures will produce more decay, not less. It is not too late to redress this imbalance between national and city government. It is not a matter of £70m but of constitutional and fiscal reform. Mr Heseltine is now reported to be spending two days out of five on inner city problems.

We, councillors and officers, devote our whole lives to city government. Give us the tools and we will finish the job. (Councillor) Tysul Lewis, The Guildhall, Sunderland.

Unit trust

From the Chairman,
Unit Trust Association

Sir—Mr Faulkner Irving's case (April 19) for a review of the rules governing the management of unit trusts is founded on the totally false premise that managers are somehow able to benefit from the commission generated in course of buying and selling the securities in trusts' portfolios.

The truth is that neither managers nor trustees are permitted to deal with the trust as principals in any but the most narrowly defined circumstances and almost without exception to deal other than on best terms. Furthermore in all but the most ancient deeds the managers are required to pay the remuneration of the trustee and all expenses incurred in the trusteeship. These measures, which have been a feature of unit trust regulation for many years, are specifically designed to prevent the abuse Mr Faulkner Irving is so concerned about.

Managers are also required to provide annually to unitholders "accounts of the manager in relation to the trust and statements of his remuneration in connection therewith" and will shortly be required to provide a capital account from which the role of portfolio turnover can easily be derived.

So may I set Mr Faulkner Irving's mind at rest and the record straight. Unit trust managers cannot derive profits from commissions generated in course of their management of authorised unit trusts funds nor can they conceal any part of their remuneration. M. V. St. Giles,
Unit Trust Association,
Park House,
16 Flushing Circus,
EC2

particular reference to the share structure of ACC.

The requirement of the Independent Broadcasting Authority for TV contractors to have voting shares controlled by the board, with a very much larger number of non-voting shares widely held, has not prevented a successful bid from an overseas company. Nor could it have prevented a bid from any source where a buyer has acquired a very large block of non-voting shares.

By purchasing over 50 per cent of the non-voting shares of ACC, Mr C. Court was able to act as though these were voting shares. He was invited to join the board and later became chief executive of the company. He was, however, not obliged under the Takeover Code to bid for the company once he had purchased 30 per cent of the shares.

The IBA's objectives have not been achieved, and the Takeover Code's safeguards would have been of little value without Heron's intervention.

The first chairman of ACC is needed for the IBA to review its past decisions with a view to establishing a basis for the ITV companies to have only one class of voting shares, as was agreed in February for Television South-West.

Alan J. Kennard,
4, Roger Street, WC1.

Contracting out rebates

From Mr G. Bammerman

Sir—From April, 1983, the National Insurance contribution rebate in respect of employees who are contracted out of the scheme will be reduced from 7 per cent to 6 per cent. The latter figure has been adopted as a compromise between the 8 per cent which the National Association of Pension Funds was pressing for and the 6 per cent which the TUC considered to be fairer to those not contracted out.

The TUC argument appears to be founded on figures given by the Government Actuary in his report and calculated by reference to the actual members contracted out in 1978-79. In the data published the number

of males in the age group 60-65 is about half that in the lower age groups. Smaller numbers at high ages have the effect of lowering the average age and the average cost of benefits and this is important to schemes in the private sector.

There are, I feel, two very significant factors to be remembered here: (a) a large proportion of those contracted out are in the state sector where the right to retire on full pension at 60 or even earlier is more common than in the private sector. The average age of members of private sector schemes can thus be expected to be higher than that of members of state sector schemes; (b) many private sector schemes were set up in 1978 for contracting out purposes and most of them would take advantage of the provision which permitted restriction of entry to those under age 60.

By the nature of things such schemes may now have members in the 60-65 age group but would not have had in 1978-79.

The original 7 per cent rebate—and the impending 6 per cent—contain a margin to allow for age variations. The TUC has suggested that the new rebate is too large but I feel that if one were to look only at schemes in the private sector and then eliminate the "new entrant" distortion referred to in (b) above, one would find that a higher average age would be obtained and the average rebate of 8 per cent would not only be fully justified but might even appear on the low side.

I am surprised that this point does not appear to have been raised in the debate so far. G. G. Bammerman,
Sovring Employee Benefit Services,
P.O. Box 130,
142-152, Long Lane, SE1.

The spirit of Poland

From the Chairman,
Polish Professional and
Executive Club

Sir—I refer to your editorial of April 7 in which you said, inter alia, that "... a spirit of

lassitude rather than revolt appears to have descended on the country. . . . In these circumstances the efficacy of financial sanctions seems to have diminished and the arguments for a resumption of the official dialogue on debt are gradually asserting themselves. . . ."

Far from there being a "spirit of lassitude," all accounts from visitors to Poland speak of widespread anger and resentment, numerous illegal leaflets and newly printed underground newspapers (like the weekly "Solidarity" of the Warsaw region), organised support for political prisoners and people in hiding, nationwide protests every 13th day of the month (switching off of lights, token strikes, etc.), many other examples of opposition and of course, as a result, continuing arrests and dismissals. It is not at all clear who will win in the struggle in Poland, nor even what victory would mean when superficial alliance with the Soviet Union must be maintained.

One wonders whether, by using the word "lassitude," you are commenting on the lack of violence. Practically every underground organisation is stressing the non-violent nature of its activities, firstly in order to belie the regime's propaganda that martial law is needed to eliminate violence, and secondly because everyone knows that armed resistance would lead to a Soviet invasion and disaster, as in Afghanistan. You can refer to "lassitude" only because the Poles know that in any fight they would be on their own, as they were in the Warsaw Rising of 1944 and countless other times stretching back to the Partitions in the 18th century. The story would be different if the West had been prepared to support its own democratic values in Eastern Europe and win Poland as an ally. What do you expect the Poles to do?

A. Daszewski,
37 Goldhawk Road, W12.

Notice of Redemption

Monsanto International N.V.

8 3/4% Guaranteed Sinking Fund Debentures Due May 15, 1985

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of May 1, 1970 under which the above described Debentures were issued, Citibank, N.A. (formerly First National City Bank), as Trustee, has drawn for redemption on May 15, 1982, through the operation of the Sinking Fund, provided for in said Indenture, \$1,156,000 principal amount of Debentures of the said issue, bearing the following distinctive numbers:

COUPON DEBENTURES OF \$1,000 PRINCIPAL AMOUNT OUTSTANDING	
31 1082 3211 7182	8790 10239 12770 14021
32 1097 3239 7199	8817 10342 12780 14024
33 1100 3273 7210	8830 10347 12792 14030
34 1101 3274 7211	8840 10349 12793 14031
35 1102 3275 7212	8850 10351 12802 14070
36 1103 3276 7213	8859 10352 12803 14071
37 1104 3277 7214	8869 10353 12804 14072
38 1105 3278 7215	8879 10354 12805 14073
39 1106 3279 7216	8889 10355 12806 14074
40 1107 3280 7217	8899 10356 12807 14075
41 1108 3281 7218	8909 10357 12808 14076
42 1109 3282 7219	8919 10358 12809 14077
43 1110 3283 7220	8929 10359 12810 14078
44 1111 3284 7221	8939 10360 12811 14079
45 1112 3285 7222	8949 10361 12812 14080
46 1113 3286 7223	8959 10362 12813 14081
47 1114 3287 7224	8969 10363 12814 14082
48 1115 3288 7225	8979 10364 12815 14083
49 1116 3289 7226	8989 10365 12816 14084
50 1117 3290 7227	8999 10366 12817 14085
51 1118 3291 7228	9009 10367 12818 14086
52 1119 3292 7229	9019 10368 12819 14087
53 1120 3293 7230	9029 10369 12820 14088
54 1121 3294 7231	9039 10370 12821 14089
55 1122 3295 7232	9049 10371 12822 14090
56 1123 3296 7233	9059 10372 12823 14091
57 1124 3297 7234	9069 10373 12824 14092
58 1125 3298 7235	9079 10374 12825 14093
59 1126 3299 7236	9089 10375 12826 14094
60 1127 3300 7237	9099 10376 12827 14095
61 1128 3301 7238	9109 10377 12828 14096
62 1129 3302 7239	9119 10378 12829 14097
63 1130 3303 7240	9129 10379 12830 14098
64 1131 3304 7241	9139 10380 12831 14099
65 1132 3305 7242	9149 10381 12832 14100
66 1133 3306 7243	9159 10382 12833 14101
67 1134 3307 7244	9169 10383 12834 14102
68 1135 3308 7245	9179 10384 12835 14103
69 1136 3309 7246	9189 10385 12836 14104
70 1137 3310 7247	9199 10386 12837 14105
71 1138 3311 7248	9209 10387 12838 14106
72 1139 3312 7249	9219 10388 12839 14107
73 1140 3313 7250	9229 10389 12840 14108
74 1141 3314 7251	9239 10390 12841 14109
75 1142 3315 7252	9249 10391 12842 14110
76 1143 3316 7253	9259 10392 12843 14111
77 1144 3317 7254	9269 10393 12844 14112
78 1145 3318 7255	9279 10394 12845 14113
79 1146 3319 7256	9289 10395 12846 14114
80 1147 3320 7257	9299 10396 12847 14115
81 1148 3321 7258	9309 10397 12848 14116
82 1149 3322 7259	9319 10398 12849 14117
83 1150 3323 7260	9329 10399 12850 14118
84 1151 3324 7261	9339 10400 12851 14119
85 1152 3325 7262	9349 10401 12852 14120
86 1153 3326 7263	9359 10402 12853 14121
87 1154 3327 7264	9369 10403 12854 14122
88 1155 3328 7265	9379 10404 12855 14123
89 1156 3329 7266	9389 10405 12856 14124
90 1157 3330 7267	9399 10406 12857 14125
91 1158 3331 7268	9409 10407 12858 14126
92 1159 3332 7269	9419 10408 12859 1412

Currys down by £1m to £11.27m pre-tax

STRUCK after a doubled provision for unmaterial profit on credit trading of £1.68m, and much lower interest receivable, taxable profits of Currys Group, domestic electrical appliance retailer, were down by £1m to £11.27m for the year ended January 27 1982.

Earnings per 25p share are shown as 19.5p (23.6p), but the dividend is effectively raised to 4.85p (4.5p adjusted) with a final payment of 4.2p.

Group turnover, comprising cash sales and receipts from credit trading, and rentals, amounted to £279.33m, compared with £261.17m.

At half-year turnover was ahead from £109.1m to £122.68m and pre-tax profits were maintained at £4.43m.

The directors say that investment continued during the year, the biggest single area being television rental taking some £10m. This, together with other investments and a general lowering of interest rates, led to the decrease in interest receivable, from £2.61m to £1.29m.

The company's rental account is back in profit and the contribution from this source will now start to grow, the directors say. The flow of funds into rental will

HIGHLIGHTS

Lex looks at the position of Government debt ahead of the banking figures due out tomorrow and the money market over the last few days before moving on to the main company news story of the day. Currys, the electrical appliance retailer, reports full year profits showing a £1m downturn pre-tax to £11.3m. Lex then goes on to examine the corporate borrowing figures and the discrepancy between the borrowing requirement and the financial deficit. Finally the column goes on to comment on the annual report from Standard and Chartered Bank. On the bids from High Street retailer John Menzies launched a dawn raid then full bid for Lonsdale Universal.

continue, they add, but at a lesser rate for the next few years, after which it will "become a major cash and profit generator".

The group further expanded its trading operations with a total of 30 new trading outlets, and strengthened its property portfolio with a £3m investment in freehold shop properties.

Looking to the future, directors say investment will continue; the group is committed to expand further its rental operation, the Bridgers Discount chain, and the substantial business conducted outside the group

by its service subsidiary, CGS. Currys Micro-Systems has taken longer to find its feet than had been hoped, but recent sales have been encouraging, directors say.

A major task, they add, will be replacing existing units with bigger and/or better shops. Pre-tax profits for the year also included a £741,000 (£194,000) surplus on the sale of properties. Net profits available came through at £3.84m (£10.27m), after tax of £1.44m (£2m), of which dividends will absorb £2.34m (£2.1m).

Earnings per share came through lower at 7.01p, compared with 10.28p.

On a current cost basis pre-tax profits stood at £280,711 (£17,091).

Headlam Sims beats forecast

AS EXPECTED at the interim stage pre-tax profits at Headlam Sims and Coggins, footwear manufacturer, showed a rise for 1981. The taxable surplus increased from £300,175 to £473,909 and the dividend is being lifted from an adjusted 0.95p to 2.6p with a final 1.6p.

Second half taxable profits moved ahead from £27,756 to £249,407. At the halfway stage the directors said they expected "excellent results" for the year, as their projection at that date showed pre-tax profits of £400,000 on sales of £5m. They predicted a final dividend of not less than 1.5p.

The directors state that they are confident that the company can go forward and they would expect to achieve results no less favourable than for this past year. They expect to maintain the current rate of dividend for the ensuing year.

There was a charge for tax this time of £184,781 compared with a previous credit of £122,490. There was surplus on property revaluation of £1.76m (£1.4m).

Earnings per share came through lower at 7.01p, compared with 10.28p.

On a current cost basis pre-tax profits stood at £280,711 (£17,091).

EIS ends 28% higher and sees improvement

AN INCREASE of 28 per cent was shown in pre-tax profits at EIS Group, engineer, for 1981. The taxable surplus rose from £221m to £282m, on higher turnover at £32.68m, against £30.7m.

Turnover and profits are on target for the first quarter as the directors and they have "reasonable expectations" of achieving another performance improvement for the year as a whole.

The dividend is raised from 4.15p to 4.5p with an increased final of 3.425p (3p).

Group sales were fairly evenly divided between process plant, civil and military aerospace products, and precision engineering and industrial hydraulic products, according to the directors.

The purchase of Premier Precision and Horstman Defence Systems from Lucas Industries has been well justified say the directors. Since the year end the group has bought Rubery Owen Hydraulics.

After capital expenditure of more than £1m, cash and short term deposits stood at £3.5m at the year end, say the directors. Direct exports increased for the fifth year in succession to £9.9m and exports to Europe rose tenfold over the same period.

At the interim stage taxable profits were ahead from £1.06m to £1.05m.

Pre-tax profits were struck after interest receivable of £220,623 compared with interest payable of £51,144. Tax for the

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding date	Total for year	Total for last year
C.D. Bramall	3.95	June 28	3.5	5.55	5.55
Burma Mines	0.55	June 18	0.75	0.75	0.75
Currys Group	4.2	June 7	3.75	4.95	4.5
Dares Estates	0.75	—	0.63	1.25	1.13
EIS Group	3.43	—	3.08	4.5	4.15
Headlam Sims	1.6	May 28	0.91	2.6	1.69
Walter Lawrence	3.75	July 3	5	5.25	5
Photax (London)	2	—	1	3.5	3.5
Tate at Leeds	1.25	June 4	1.25	1.25	1.25
United Friendly	3.75	June 2	4.25	5.5	5.25

Dividends shown prices per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock.

year rose from £7,681 to £480,288. Exceptional tax credits were lower at £190,085 (£289,543).

Retained profits were slightly lower at £1.65m (£1.86m). Earnings per 25p share before tax were given as rising from 19.21p to 19.83p. After tax they fell from 18.14p to 16.44p.

On a current cost basis pre-tax profits were lower at £1.51m (£1.06m).

comment

As at the interim, EIS has increased its turnover by 6 per cent and its pre-tax profits by 28 per cent. As then, the underlying performance is a bit unclear, since segmental data are being left for the annual report. The pre-tax total is certainly the better for interest saving after last year's rights

issue, add, although trading profits are some 15 per cent higher, much of that increase will have been contributed by the two defence engineering companies acquired from Lucas.

By tightening up on working capital, the group has generated £2m of cash during the year and can be expected to look for more acquisitions soon. Meanwhile, orders remain healthy at £30m, the slight decline in the order book mainly reflecting a reduction in lead time as capital

city is switched from aircraft galley to shorter-cycle products such as engine pods, flaps, and wing tanks. Earnings per share have advanced only marginally by 3.4 per cent on a fully-taxed basis—but at 1.19p (up 3p) the shares nevertheless trade on 12 times earnings, with a yield of 5.8 per cent. That leaves EIS at something of a discount to the recently listed AIM, still just plying clear of the 400p price mark, a fully-taxed multiple of about 14.

Revenue from general business was slightly lower at £1.06m (£1.39m). Long term business revenue rose from £268,000 to £1.24m. Investment income improved from £1.76m to £1.86m. Depreciation rose from £324,000 to £1.21m. Tax took £1.26m (£1.15m). Attributable profits improved from £1.6m to £1.8m.

After dividends retained profits were lower at £564,000 (£374,000).

Recovery by Tate of Leeds

SECOND-HALF 1981 pre-tax profits of Tate of Leeds, main dealer for Ford cars and commercial vehicles, recovered from £179,932 to £267,478. This takes the year's total up from £290,661 to £310,651—close to the record £352,000 achieved in 1979.

The dividend is unchanged at 1.25p per 25p share. At the interim stage the directors said that trading in the passenger car business had held up better than expected and had more than made up for depressed commercial vehicle trading. They said that the outlook for the second six months was fair.

Turnover for the year expanded from £14.42m to £17.85m. Providing for tax of £76,968 (£3,933 credit), the net profit figure comes out at £332,632 (£394,634). The CTA attributable profit is shown at £439,939 (£312,183).

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W. Lawrence rises to £1.84m

THE SUCCESS of Walter Lawrence's contracting, housing and development activities contributed to a rise in pre-tax profits for 1981 from £1.34m to £1.84m. Turnover was £32.77m, against £34.23m previously.

Despite being affected by the severe winter, prospects for these activities remain encouraging, say the directors. However, they add that the continuing recession has affected the performance of the manufacturing companies, resulting in extraordinary closure costs of £441,000.

Second-half taxable profits moved ahead from £746,000 to £1.18m. The directors note that during the period all but one of the manufacturing activities were profitable.

Walter Lawrence Tools returned a substantial loss during the year, but further cost cutting should lead to a significant improvement.

The directors add that although market conditions in the manufacturing sector continue to be difficult, current results show performance to be exceeding budget.

The dividend has been raised from 7.5p to 8.25p by an increased final of 5.75p.

During the year group liquidity has again improved. Borrowings, other than develop-

ment finance, have been substantially reduced. By the end of 1981 shareholders' funds had increased to £10.61m.

No mainstream corporation tax is payable for the year in the directors' opinion, and the only charge is £178,000 (£1,000) for advanced corporation tax on the dividends—there was a release of deferred tax last time of £672,000.

After the extraordinary debts of £441,000 (£757,000), attributable profits emerged higher at £1.23m, against £1.11m, and retained profits rose from £734,000 to £805,000.

Earnings per share are shown as 33.5p, compared with 23.5p before deferred tax and 37.3p after the same.

comment

It is just as well that Walter Lawrence's various construction activities have continued to make headway, giving the company room to regenerate its less successful activities in engineering. The most difficult case has been hand tools, where an extraordinary charge mirrors the loss of tunnelling previously separate operations (including a forage) into a single site, as well as providing for 21 consequent redundancies in the current year. Apart from W.L. Tools, where it is hoped to reach breakeven before the end of 1982, the losses in

engineering have now been stemmed. Lawrence's house-building is heavily concentrated to the south east, and tilted towards first-time buyers, both relatively healthy parts of the market even last year. Progress this year—even apart from the elimination of manufacturing losses—should be possible if the housing market speeds up (as forecasters have recently come to expect). At any rate, the figures put 10p on the shares, which at 188p—their highest ever—yield 7.3 per cent. At nine times fully-taxed earnings the shares are well ahead of events in the sector.

DENTISPLY SEEKS REPAYMENT

The directors of Dentisply propose to seek approval of holders of the 9 per cent sterling / dollar convertible unsecured loan stock 1981/96 for early repayment of the stock at 190 per cent.

Full details of the proposal together with notice of an EGM will be circulated as soon as possible.

GROVEBELL

Shareholders of Grovobell, the small garage and confirming rights issue yesterday

Dares Ests. jumps to £853,000

A JUMP in second-half taxable profits of builder and property holder Dares Estates from £143,000 to £508,000 left the group well ahead in 1981, with a surplus of £353,000, compared with £348,000. Turnover for the year rose from £5.01m to £7.43m.

With earnings per 10p share stated higher at 2.75p (1.82p) the final dividend is being raised from 0.63p net to 0.75p, making a total of 1.25p (1.13p).

Part of the year's rise in pre-tax profits is accounted for by an increased surplus on the sale of investment properties and redemption of stocks totalling £353,000 (£383,000). Tax took £182,000 (£117,000) and there was an extraordinary credit of £344,000 (£17,000) for the surplus on the sale of Dares Developments.

RECEIVERSHIP

Mr Nick Lyle of chartered accountants Thornton Baker, has been appointed as receiver for law firm International Airlines and Inveria Aircraft Engineering two companies based at Manston Airport near Ramsgate. The two companies have been established at Manston for some time.

Standard Chartered will uphold expansion policy

THE Government's decision to uphold the Monopolies and Mergers Commission's ban on the proposed merger between the Royal Bank of Scotland and Standard Chartered Bank means that a "unique opportunity has been missed to add significantly to competition", says Lord Barber, chairman of Standard Chartered, in the group's 1981 annual report.

The group will continue "its strategy of expansion in this country and worldwide". During the past 12 years, says Lord Barber, the group has based the profitability of the mature banking businesses in Africa and the East to provide the shelter under which the group could grow new commercial banking operations in Europe and North America.

Not all these developments are yet making a satisfactory contribution, but we have endeavoured to secure a foothold in virtually every banking marketplace that is open to us in the free world," says Lord Barber.

It is part of the task of the central management in London

to translate the concept of a holding company into a fruitful collaboration of related financial institutions.

The bank's annual report gives details of the deployment of shareholders' funds and net profit which shows that in 1981 West, East and Central Africa produced 23 per cent of after-tax profits and accounted for 12 per cent of shareholders' funds.

The next most important area was the Middle East, South and South-East Asia 120 per cent of profits and 15 per cent of shareholders' funds, followed by South Africa (18 per cent of profits and 14 per cent of shareholders' funds). The Far East provided 17 per cent of profits and 11 per cent of shareholders' funds.

North America provided 16 per cent of profits (24 per cent of shareholders' funds). Finally, the UK and Europe provided 15 per cent of profits and 48 per cent of funds.

During May 13, Coonaught Rooms, WC, 21 noon.

Reshuffle at Weeks Petroleum

Reshuffle at Weeks Petroleum

BY RAY MAUGHAN

TWO MAJOR shareholders and former directors of Weeks Petroleum, the Bermuda registered oil exploration company, have won what was described yesterday as a "classic proxy fight" to implement major boardroom changes and a substantial shift in distribution policy.

Mr L. Austin Weeks, the son of the group's founder, and the former managing director, Mr Paul Temple, are understood to have mustered support of more than 48 per cent of the votes to back their proposals.

The proxies were lodged exactly two weeks before the group's annual meeting on April 29 and gave the existing management no opportunity to muster any opposition. Accordingly, the managing director, Mr Art Nedom, has announced that he intends to tender his resignation.

Mr Ben C. Greenwald, the general manager of US Exploration has recently accepted a post elsewhere for reasons "wholly unconnected with the opposition proxy statement". The remaining director to whom Mr Weeks is opposed is Mr Thomas Patrick who was elected to the board last autumn.

Mr Weeks and Mr Temple

propose a "new programme for the company involving the immediate establishment of a dividend policy which will harmonise the exploration and development activities with the stockholders' right to a reasonable return on their investment."

Writing to shareholders in a letter dated April 12, Mr Weeks said that "we propose a board of directors eleven persons, consisting of six persons who are currently directors of the company and five new directors, each of whom is familiar with the company." They intend to pay a dividend of U.S.\$0.10 per share during 1982, half of which will be paid shortly after the annual meeting.

The company's "expenditures and commitments" will be reduced "to the point that they are consistent with the company's resources and will permit a continuation of this annual dividend."

Weeks has embarked on a heavy drilling programme over the next three or four years in offshore Spain, the British Virgin Islands, Japan/Korea Block 7, and the UK offshore as well as in various parts of the U.S. and Australia, where the shares are also quoted.

Its principal source of income,

however, is a 1.378 per cent royalty in perpetuity on production in the Bass Strait oil and gas fields of Australia.



Standard Chartered

Bank PLC



1980

Comments by the Chairman, The Rt. Hon. Lord Barber

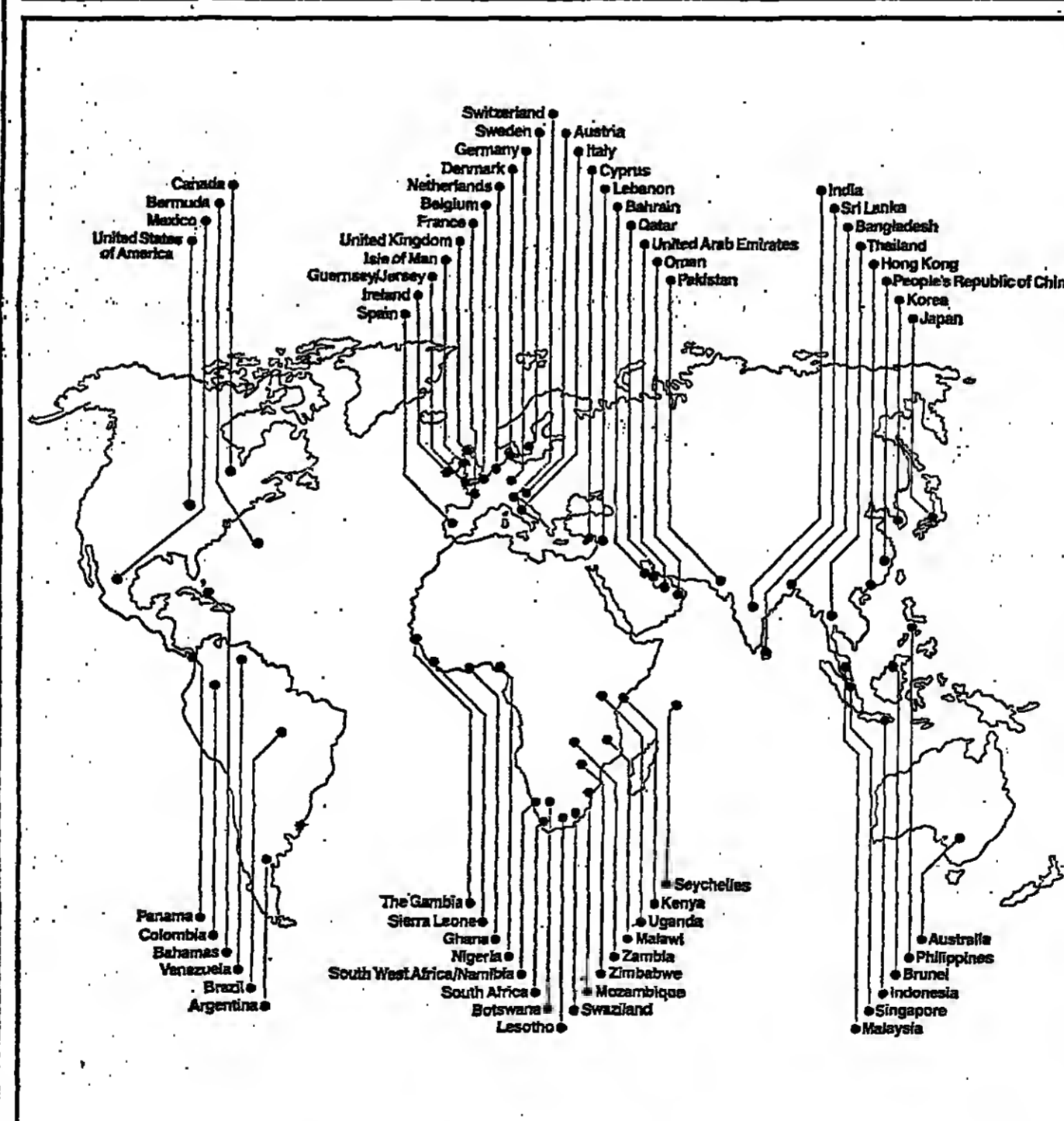
Profits before taxation up 12%
Earnings per share up 24%
Dividend up 14%

Shareholders' Funds now
£1,023 million
Total Assets now
£19,822 million

Profits before taxation for the year ended 31st December 1981 amounted to £260 million, compared with £233 million the year before. The net profit attributable to shareholders, after deducting taxation and minority interests, was £135 million or 156 pence per share. The total dividend proposed for the year is 37 pence per share.

The triennial valuation of group properties resulted in a net surplus of £234 million, which has been added to group reserves, and the total of shareholders' funds at the end of 1981 amounted to £1,023 million. The directors have recommended a bonus issue of one fully paid ordinary share for each two ordinary shares currently held, after which the issued capital of the bank will amount to £130 million.

In commercial banking the group's strong domestic banking systems in Africa produced very satisfactory results and the branch operations of The Chartered Bank in the East sustained their profitable contributions. The newer group branches in Europe



1,500 offices in 60 countries
around the world.

achieved a significant increase in earnings, as did the international and treasury divisions in London, both of which made record profits. Group merchant banks had a

good year. The instalment finance companies in Britain and South Africa were adversely affected by interest movements on their fixed rate lending, as was Union Bank in

California.

During the twelve years since the Standard Chartered Bank group was created, we have developed new commercial banking operations in the metropolitan market places of Europe and North America to complement our traditional branch networks in Africa and the East. At the same time we have used the strength of our balance sheet to make acquisitions in related financial services companies, as well as to invest in the Mocatta group of companies and to undertake the purchase of Union Bank in California.

While not all these developments are yet making a satisfactory contribution, we have endeavoured to secure a foothold in most of the banking market places that are open to us in the free world and to develop the experience and skills that will ensure a worthwhile business for us in the future.

With the strength provided by the diversified structure and operations of the Standard Chartered group, we are well placed to maintain progress.

Copies of the Annual Report and Accounts and of the Chairman's Statement may be obtained from: The Secretary, 10 Clements Lane London EC4N 3AB

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April 19th, 1982

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Foreign Exchange Department:
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(UBAF)

Bestobell

Controls - Aviation - Energy Engineering - Worldwide

	1981 £000	1980 £000
Sales:		
On-going activities	113,382	98,274
Discontinued activities	8,973	20,829
Profit before tax	8,469	7,724
Ordinary dividend per share	13.0p	12.25p

* With order books and enquiries better it is tempting to see signs of recovery in the UK economy.

* From a strong financial base we have the capacity to expand further our overseas and UK interests.

A. B. Marshall, Chairman.

Copies of the Annual Report and Accounts are available from The Secretary, Bestobell Limited, Bestobell House, 16 Bath Road, Slough SL1 3SS.

Companies and Markets

Charterhouse lifts holding in P. J. Burke

The Charterhouse Group, the investment and banking company, has acquired a 55 per cent stake in P. J. Burke (Holdings), a specialised contractor in the gas, coal and engineering industries for £4.1m.

This follows a separate transaction last December when 45 per cent of Burke was acquired for £3.4m by Charterhouse, Charterhouse Development Capital (a 46.7 per cent owned associate of Charterhouse), Mr Nigel Swifton, now a Burke director and Mr Malcolm Stockdale.

In connection with the current acquisition, a proposal will be put to an extraordinary general meeting of Charterhouse shareholders on May 28 to the effect that Mr Stockdale's beneficial interest in Burke be increased to 18 per cent.

Following this transaction, Charterhouse's effective interest in Burke will be 75 per cent.

NO PROBES

The following mergers are not being referred to the Monopolies Commission: Liberty Life Assurance, British Steel Corporation Pension Funds and Federated Land, Queens Moat Houses and County Hotels.

SHARE STAKES

St George's Group—Scottish Northern Investment Trust beneficially owns 9.11 per cent (4.5m shares).

S. Pearson and Sons—A Lazard Brothers subsidiary—Lazard Securities—has sold 20,687 ordinary shares at 242p on behalf of a discretionary client.

Atkins Brothers (Hesley)—H. Fude and Co. (Hesley) has disposed of its holding of 168,836 shares, 170,000 shares have been acquired by Sincel Nominees.

LRC International—Sir Edward Howard and D. H. S. Howard sold 25,000 shares on April 2 at 82p from their "otherwise held" account. Sir Edward sold 25,000 shares on April 2 at 82p from his own account.

Scapa Group—T. D. Walker, director, notifies that Basil B. Smith and T. D. Walker Trust has disposed of 11,000 shares at 142p. Total holding 12,000 shares (0.04 per cent).

Berry Trust—D. T. H. Nicholson, director, notifies that Mrs J. A. Lusty's settlement has disposed of 30,000 shares for no consideration. Holding 5,361 shares (0.037 per cent).

Home Charm—J. G. Fogel, director, has sold 160,160 ordinary shares at 152p 2d.

AB Electronic Products—G. T. Cantlay, director, has bought 10,000 shares.

Tricentrol—Morgan Grenfell, an associate of Tricentrol, on April 16 bought on behalf of discretionary clients, 25,000 Tricentrol at 133p.

Gillett Bros Discount—Imperial Life Assurance of Canada owns 158,000 ordinary (5.88 per cent).

Gravel—Northern Investment Trust—RTI is interested in 3.24m ordinary stock units and associates of RTI are interested in a further 500,000.

Menzies 'raids' and then bids £5.6m for Lonsdale

A "dawn raid" on the shares of Lonsdale Universal, the office equipment, stationery and printing group, was followed by a full bid from John Menzies, the Edinburgh-based stationery and newspaper distribution concern, valuing Lonsdale at £5.64m.

News of the raid prompted Mr Robert Maxwell, chairman of British Printing & Communication Corporation, to announce that BPPC "intended to assist Lonsdale, if possible, in remaining independent should it wish to". BPPC, advised by Henry Ansbacher, then acquired 565,000 Lonsdale shares representing 6.5 per cent of the total equity at an undisclosed price in the market.

Menzies acquired 560,000 shares at 80p in the market through brokers Carr, Selig. It also acquired 447,500 shares directly from its own advisers Noble Grossart, at the same price to leave it with a total holding equivalent to 11.22 per cent of Lonsdale's ordinary capital.

Lonsdale's shares closed last night 24p up at 86p. Menzies is offering 80p cash for each of the outstanding 7.97m ordinary

shares, together with 60p for 45,000 first preference shares and 55p for 403,950 second preference shares.

Mr Norman Ramseyer, Lonsdale's chairman who founded the business in 1946 and is due to retire in October, was contacted by Menzies yesterday afternoon. He said later that he was recommending shareholders not to sell their shares. Mr Ramseyer is to meet Lonsdale's advisers, Kleinwort Benson, first thing this morning.

Mr Maxwell stated last night that BPPC would reject the Menzies offer of 80p in respect of its own holding and would support the Lonsdale board if it decided to advise its other shareholders to do likewise.

Mr John Menzies, the Scottish company's chairman, plans to meet Mr Ramseyer tomorrow. He said Menzies was hoping for a recommendation from the Lonsdale board and much would depend on their Wednesday meeting.

Menzies, which is declaring its results this morning for the year to January 31, has about a third of its operations in Scotland with the remainder in England and Wales. Lonsdale,

which earned £296,000 in a difficult year to last September, against £339,000, has office equipment and stationery interests around the country, but is otherwise based mostly in the Greater London area. It also has significant bookelling interests in Australia.

Mr John Menzies said almost all of Lonsdale's businesses appeared to fit well with his company's existing operations.

"The only one that seems out of line is the engineering business. We do not see ourselves as engineers, but we are willing to be converted."

He added that Menzies would not proceed in the event of a take-over with the proposed sale of a library supplies division already announced by Lonsdale. The bidder did not agree that such a sale made sense commercially or financially.

Mr Ramseyer gave public notice of plans for the sale in February. Work on a prospectus has been continuing since then and Mr Menzies confirmed that this had been a pre-emptive factor in the timing of his company's bid.

Menzies' shares closed up at 236p.

Batus agrees with FTC

Batus, the U.S. arm of BAT Industries, appears to have come to terms with the Federal Trade Commission over the acquisition of the Marshall Field group of department stores.

It has agreed to sell certain assets in the Milwaukee area during the next two years, and has also accepted limits on its freedom to acquire other department store or general merchandise groups during the next five years.

Batus says the agreement with the FTC was subject to approval by the Commission after being placed on record for 60 days for public comment. Batus acquired all the common shares and series "C" \$1.50 cumulative convertible preferred stock of Marshall Field that has been validly tendered in response to its bid.

At the close of business on April 15, about 8.25m common shares and 633,000 preferred shares had been tendered. Batus is offering \$30 a share for common stock and \$24 a share for preferred stock.

FOSTER BROTHERS RAISES CASH

By the sale of two subsidiaries and the sale and leaseback of its shop property in Cardiff, Foster Brothers Clothing has raised £3.06m cash and saved £1.47m by the elimination of the current bank indebtedness of the subsidiaries.

The proceeds will be applied in expanding the group's traditional clothing business.

In two separate transactions, Foster has disposed of Diamond for Beauty and Staff Facilities (Holdings), both of which sold cosmetics and toiletries. Consideration amounts to £250,000 and £235,000 cash respectively.

Both companies have traded at a loss in the year to February 23 1982 and their disposal will relieve Foster of those losses in an area outside the group's main activities.

In the sale and leaseback deal, the consideration for the sale of the freehold is £2.6m cash, which is receivable shortly.

HEPWORTH CERAMIC HOLDINGS (company secretary, H. J. Phillips, unquoted)—Results for 1981 reported March 25. Group fixed assets £97,565m (1980: £97,565m); net current assets £100,225m (1980: £97,565m); funds £181,344m (1980: £181,344m); net liquid funds increased by £2,79m (1980: £17,78m).

PERCY LANE GROUP (unquoted manufacturer)—Results for 1981 reported March 25. Group fixed assets £13.17m (1980: £13.17m); net current assets £2,67m (1980: £2,67m); cash £268,000 (1980: £268,000). Proposed to change the name to Planet Group, Macclesfield, Cheshire, Airport, May 19 at noon.

WENTWORTH (International Finance Group)—Turnover year to Oct 31 1981: £1,722m (1980: £1,722m). Profit £26,571 (1980: £26,571). Plus tax credit £20,515 (change £7,524) and extraordinary profits on disposal of leasehold properties £2,200m (nil). Dividends on ordinary shares £2,200,000 (nil).

Lathkil in counterbid for Speedwell Gear

A COUNTERBID of £192,000 for Speedwell Gear Case, the loss-making sheet metal engineer, has been launched by Lathkil Securities. This compares with an earlier offer worth £144,000 from Astra Industrial Group, the engineering, property and investment company.

Under the new deal shareholders of Speedwell are offered 20p per share and 15p for each 4.2 per cent cumulative preference share.

Astra Industrial said yesterday that following the new offer it will not proceed with its own offer which was worth 15p per share.

Astra agreed that within 24 hours of yesterday's announcement it would sell and place its holding of 238,964 ordinary

shares in Speedwell (representing a 24.68 per cent stake).

But in another development Speedwell and Astra have agreed, conditionally on the approval of Speedwell shareholders, and after having off all its assets and liabilities into its subsidiary, Speedwell Engineering, that Astra will acquire Speedwell Engineering for £150,000 cash.

In other developments Messrs G. J. Cecile, H. E. Kirtan and D. Dukes have resigned from the board of Speedwell, and Messrs J. R. East of Margetts and Mr J. P. Carrington, a representative of Lathkil, have been invited to join the board of Speedwell.

The board of Speedwell, as newly constituted, is seeking acquisition opportunities and investigating one such company. An announcement will be made "in due course".

Lathkil will keep just over 50 per cent in Speedwell and any ordinary shares in excess of that amount will be placed.

C. T. BOWRING

C. T. Bowring announces that Bowring UK has acquired a 100 per cent interest in Miller Smith (Insurance Brokers), based in Cardiff.

Wm. Collins confident

AFTER a difficult transitional period at publisher William Collins and Sons (Holding), which has seen many changes in both personnel and in the nature of the business, the directors are confident there now exists a secure base on which to build, says Mr Ian Chapman, chairman, in his annual review.

There is every reason to believe that by this time next year, further progress will have been achieved. However the directors are acutely conscious of the problems that lie ahead, in what

will undoubtedly be a difficult market and economic situation, he says.

As reported on March 18, Collins staged a recovery and exceeded the forecast in its successful bid defence—against News International—with pre-tax profits of £4.33m (£2.09m) and turnover of £73.41m (£63.74m) in 1981.

Group net borrowings at the year-end were down to £5.2m which, Mr Chapman says, means that in a two-year period borrowings were reduced by £9.4m and interest charges halved from £2.55m to £1.23m. This reduction in borrowings has put the group into a secure financial position to develop existing business and take advantage of any profitable opportunities for growth which may arise, he says.

Also at the year-end, shareholders' funds had risen to £55.95m (£39.43m), fixed assets were valued at £18.48m (£18.78m), and net current assets came out at £19.05m (£21.19m). During 1981 there was an increase in working capital of £297,000 (£1.82m) and net liquid funds of £87,000 were absorbed (£3.05m generated).

The company proposes to change its name to William Collins.

Meeting: Glasgow, May 12, 11 am.

SPAIN	Price	%	or +
April 16			
Banco Bilbao	348		
Banco Central	343		
Banco Exterior	335		
Banco Hispano	316		
Banco Ind. Cal.	110		
Banco Santander	338		
Banco Urquijo	369		
Banco Vizcaya	369		
Banco Zergoz	246		
Ordegado	152.5	-0.5	
Espartero Zeta	54	+1	
Foese	61.5	+0.5	
Gal. Preciado	38		
Hidralia	63	+0.3	
Iberdure	94	+0.2	
Petrolcos	92.7	-0.8	
Petroliber	98		
Sogefase	8	+0.5	
Telefonos	63.5	+0.3	

THE TRING HALL

USM INDEX

117.3 (-0.4)

close of business 19/4/82

BASE DATE 10/11/80 100

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LADBROKE INDEX

Close 556-561 (+6)

Vita Group Results

YEAR ENDED 31 DECEMBER 1981

- Profit before tax increased by 12%
- International profit improved but UK & Europe affected by low demand
- Final dividend maintained at 2.7p (1980 - 2.6p)

£000	1981	1980
Turnover	91,869	88,697
Trading profit	5,648	5,789
Associated companies	3,385	3,320
Interest	(1,062)	(1,998)
Profit before tax	7,971	7,111
UK and Europe	2,428	2,576
International	5,543	4,535
Earnings per share	16.5p	18.7p
Dividend per share	5.4p	5.2p
Assets per share	146p	133p

Copies of the Report and Accounts can be obtained from the Company Secretary British Vita PLC, Middleton, Manchester M24 2DB

INTERNATIONAL LEADERS IN FOAM, FIBRE FABRIC AND RUBBER PRODUCTS

Ash & Lacy remains strong

Despite the deep recession, we achieved a profit before taxation of £2.35 million. Thus we succeeded in holding our profit at 89% of the record level achieved in 1980, with a big improvement in the second half of the year. Our balance sheet remains strong.

	1981 £'000	1980 £'000	1979 £'000
Sales	25,237	27,861	26,679
Profit before tax	2,349	2,643	2,585
Earnings per share	40.5p	56.4p	43.7p
Dividends	14.0p	12.5p	11.5p

SMETHWICK WARLEY WEST MIDLANDS

This advertisement complies with the requirements of the Council of The Stock Exchange.

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Morgan Guaranty Ltd

Morgan Stanley International

Salomon Brothers International

Swiss Bank Corporation International

Union Bank of Switzerland (Securities)

The issue price of the Notes is 100 per cent. The Notes have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary global Note.

Interest is payable annually in arrears on 1st May, the first payment being made on 1st May, 1983.

Full particulars relating to the Notes, Getty Oil International (Caribbean) N.V. and Getty Oil Company are available in the Extel Statistical Service and may be obtained during usual business hours up to and including 4th May, 1982 from the brokers to the issue:

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN
20th April, 1982

MINING NEWS

Tax burden on March quarter gold profits

BY KENNETH MARSTON, MINING EDITOR

TWO ADVERSE factors have hit the South African gold mines in the first quarter of this year, the lower bullion price and the increased taxation announced in the country's recent Budget. The Barlow Rand group, with two of the South Africa's industry's highest cost producers, has managed to make a particularly poor profit showing for the quarter.

The increased taxation, as already explained here, applies to a company's full financial year and thus has a retrospective element in the cases of companies with financial years beginning before March 31.

The recent March quarterly reports, from the mines in the Consolidated Gold Fields group recognised this in spreading the tax increase over the previous quarters, where applicable, with restated figures.

Barlow Rand, however, has jumped the extra tax payable by its mines for previous quarters into the March quarter shown for the March quarter. Thus, Harmony includes in its latest quarterly results an additional provision of R2.74m (£1.47m) to cover the increased tax liability for the current financial year to date which includes R2.12m in respect of the six months to end-December 1981.

In the case of Blyvoor, the March results include an additional tax provision of R4.14m which includes R2.71m for the previous six months. What policy has been adopted by the other groups which have yet to report remains to be seen.

It is to be regretted that, on the showing so far, members of the Chamber of Mines have been unable to adopt a common policy in respect of the reporting of net earnings.

Taking pre-tax profits, the best showing is made by Blyvoor which has managed to increase

gold production, reduce costs and lift gold earnings in the face of a lower than average gold price received of R11.436 per kg (\$368 per oz). In addition the mine has enjoyed higher revenue from uranium.

However, the increased tax charge for the quarter has converted the increase of R2m over the previous quarter's working profit into a reduction of R3.8m in the latest after-tax profit.

The other gold producers have earned less at pre-tax level in line with an average bullion price received of around R11.594, or \$365, against R13.190, or \$427 in the previous three months. Harmony comes out with a pre-tax profit of R37.47 against R41.4m.

As expected, the lower gold prices have made a sharp impact on the group's two veteran and high cost producers, East Rand Proprietary Mines and Durban Deep. Neither have incurred tax liability in the latest quarter, while the former has made a loss.

Their situation should be mitigated by claims submitted for State assistance. But the two mines point out that because the Government Mining Engineer has not yet indicated what capital expenditure will be allowed for State assistance purposes the claims cannot be finalised and thus have been excluded from the current quarter's results.

The net profits for the March quarter, after deduction of the exceptional tax charges in the cases of Harmony and Blyvoor, are compared in the following table:

	March	Dec	Sept
qtr	qtr	qtr	qtr
Blyvooruitzicht	13,824	17,453	17,042
Urban Deep	2,588	8,446	7,950
East Rand Prop	16,781	9,887	9,780
Harmony	21,723	34,902	23,107

* After receipt of State assistance.
† Loss.

First-quarter loss for Falconbridge

THE CURRENT year looks like being a difficult time for Canadian mining companies, with many investment analysts forecasting full-year losses for most of the leading concerns. First-quarter results are about due now, and there can be no doubt that operating losses will be the norm.

The copper, zinc and gold-producing Falconbridge Copper has opened the reporting season with the announcement of a loss for the three months to March 31, the company's third consecutive quarterly loss.

Falconbridge Copper, owned as to 50.2 per cent by Falconbridge Nickel, lost C\$692,000 (£322,000) in the three months, equal to a deficit of 5 cents a share. This compares with profits of almost C\$1.2m or 9 cents a share in the first quarter of 1981.

Dr. Come Carboneau, the company's president, told the annual meeting that while metal markets are currently extremely depressed, an upturn could start during the third quarter.

He warned, however, that the economic climate "does not permit the company to anticipate a dramatic improvement in operating results for this year."

Falconbridge Copper is continuing its exploration and development efforts, notably at the rich Ansil copper discovery at Lake Dufault in the Noranda district of north-western Quebec.

Dr. Carboneau confirmed that the company is hopeful of eventually replacing the nearby Carlot orebody with the Ansil prospect. A feasibility study at Ansil, now in progress, should be completed by the end of May.

Ansil has reserves of more than 2m tons of ore, grading 7 per cent copper, with 0.8 oz of silver and 1.6 grammes of gold per ton.

It is suggested that the eastern end of the deposit, formerly reported to be open at depth, may now have been delineated.

Dr. Carboneau added that Falconbridge also hopes to replace its Opemiska gold deposit near Chapais, also in north-western Quebec, with the promising Opawica-Lac Shortt discovery.

A contributory factor in Falconbridge's decline into loss was the closure of the highly-profitable Sturgeon Lake copper-zinc-silver-gold joint venture in north-western Ontario.

Dr. Carboneau indicated that there might be some possibility of re-opening the facility, which was closed following the depletion of ore reserves.

Canadian exploration still at high level

CANADA'S CAPACITY to produce metals has continued to increase, and exploration programmes mounted by the mining industry last year remained at near-record levels, according to the Federal Department of Energy, Mines and Resources.

The department warns, however, that the depressed markets currently confronting the industry mean "reduced revenues and profits that could close the tap on exploration," reports our Toronto correspondent.

Exploration activity reached a peak in 1980 and remained high last year, the department notes. Development commitments were down in 1981 but planning for new developments has not slackened.

The department feels the mining industry is "obviously committed to meeting long-term increased demand but faces a difficult period in the months ahead."

At the same time, the department points out that ore reserves of seven leading minerals have stayed on an upward trend, particularly in the case of gold. The other minerals are copper, nickel, lead, zinc, molybdenum and silver.

The department adds that the immediate outlook for further growth in ore reserves is "very good."

DOWDING & MILLS

Dowding and Mills has purchased premises in Hemel Hempstead where it plans to open a new facility by July.

It has also bought a small electrical repair business at Poole, Dorset, which will extend services westward from the Southampton branch.

From January there has been a "small improvement" in the level of activity and the board expects the full year's profit will be ahead of last year.

Controlled expansion in line with our strategy

Summary of Results

	1981 £m	1980 £m
General Insurance		
Premiums Written	1,489.9	1,241.7
Underwriting Balance	-102.9	-40.3
Investment Income allocated to General Insurance operations	152.3	113.3
General Insurance Profit	49.4	73.0
Long-term Insurance Profit	12.1	10.0
Investment Income attributable to Capital and Reserves	49.0	33.0
Share of Associated Companies' Profits	7.0	6.2
Profit before Taxation	117.5	122.2
Less Taxation	44.9	50.4
Minority Interests	0.9	0.9
Net Profit attributable to the Shareholders	71.7	70.9
(pence per share)	(38.5p)	(46.2p)
Dividend for the year	47.6	41.7
(pence per share)	(25.25p)	(24.0p)
Transfer to Retained Profits	24.1	29.2

A year ago we announced the new emphasis being given to controlled expansion. We have made a satisfactory start towards achieving our targets, notwithstanding the severe action we felt it necessary to take in Canada and Australia. In both the US and the UK, our two largest territories, premiums increased by over 15% enabling us to achieve real growth without sacrificing sound underwriting principles.

Changes in presentation of the accounts

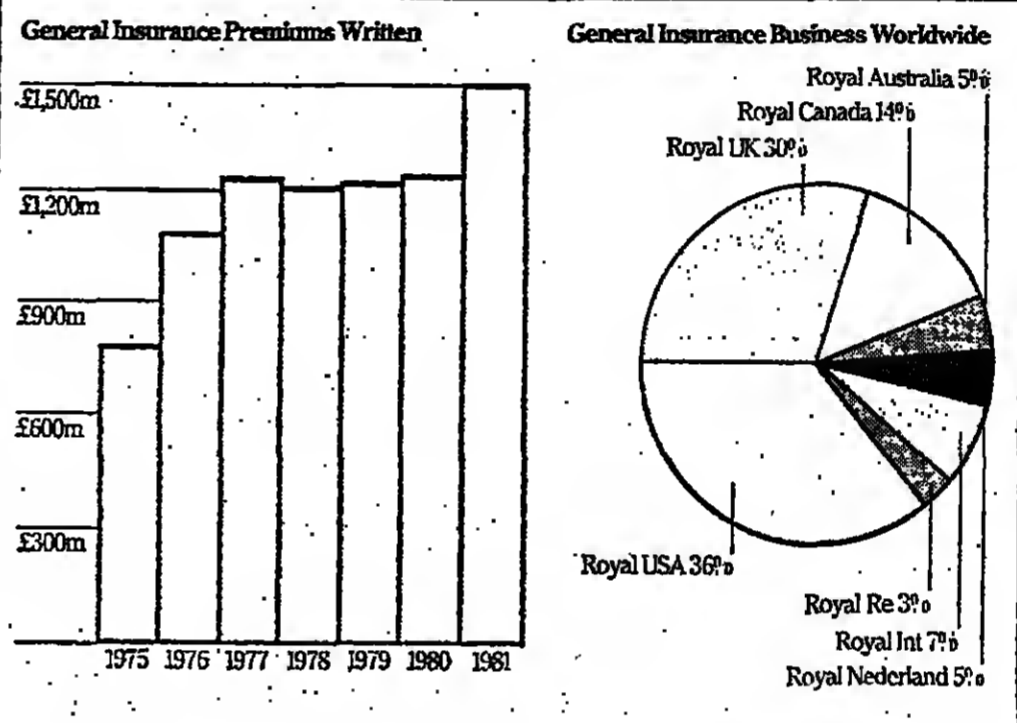
The general insurance profit has been struck after adding to the underwriting balance that part of the investment income allocated to the general insurance funds. We believe that this way of reporting our business accords with the realities of the market place and gives shareholders a clearer understanding of the return derived from our insurance operations.

Dividend

As we have said in the past, one of our prime objectives is to pursue a progressive dividend policy and we are adhering to this course whilst at the same time taking into account the need to retain profits to support the growth, both real and inflationary, in our business.

Insurance Company taxation

Under present tax law all additions to insurance companies' free reserves have to be made out of fully taxed earnings. Unlike industrial and other commercial concerns we receive no tax relief for the effect of inflation. We feel it would be equitable for UK insurance companies, as successful operators in world markets benefiting the economy through their overseas earnings, to qualify for some alleviation of tax towards mitigating the effect of inflation on the maintenance of their capital resources.



Our role in the community

We aim to act as responsible members of the communities in which we operate, in the conviction that we should do all we can to foster a stable climate in which to develop our business activities.

As a UK company, founded in Liverpool, we are glad to be playing a leading part in the Merseyside initiatives to alleviate youth unemployment and other social problems which arise in inner city areas.

We have substantially increased the number of young people we employ through the Manpower Services Commission both on Merseyside and throughout the United Kingdom. We have also seconded a senior manager to serve with the Merseyside task force and, on a national level, another to serve with the Financial Institutions Group, set up by the Secretary of State for the Environment.

The Future

The difficult trading conditions experienced in 1981 are likely to continue during 1982 and the turning point in some markets may not be reached until 1983.

Meanwhile we continue to maintain a close control over our underwriting operations and in the year ahead we will not hesitate to take strong corrective action wherever necessary. Our overall strategy continues to be to maintain and, where possible, increase our market share where we see profitable opportunities, in order to maximise the return on resources for which we are accountable.

Annual General Meeting

The Annual General Meeting will be held at the Barbican Centre for Arts and Conferences on the 12th May, 1982.

Royal Insurance

Group Head Office, 1 Cornhill, London

M. J. H. Nightingale & Co. Limited

27/28 Levar Lane London EC3R 8EB

Telephone 01-421 1212

1981/82	Company	Gross Yield	P/E
High Low		Price Change	div (p) % Actual Issued
130 100	Asa. Brit. Ind. CULS...	128	10.0
75 65	Airport...	4.7	8.4 11.5 18.0
11 23	Armstrong...	44	4.3 9.8 3.7 8.3
256 187	Bardon H-H	193	9.7 4.9 9.8 11.7
107 100	CCL 11pc Conv. Pri...	106	15.7
104 81	Osborn Services	125	8.0 9.7 3.1 5.8
121 97	Frank Marshall	113	8.4 5.1 11.4 23.3
83 39	Frederick Parker	74	6.4 8.6 3.8 7.2
78 26	George Blair	54	7.3 7.8 6.9 10.4
102 33	Ind. Precast. Castings	98	15.7 14.5
102 102	Int. Cow. Prof.	96	7.0 7.3 3.0 6.8
115 94	Jackson Group	113	8.7 7.7 8.2 10.4
120 108	James Barrough	240	31.3 13.0 3.3 8.5
834 240	Robert Jenkins	64	5.3 8.3 9.8 3.1
64 51	Scruttons "A"	150	10.7 6.7 5.1 9.5
722 150	Torday & Cellars	137	15.0 18.8
15 10	Twinnick Ord. ULS	25	3.0 12.0 4.5 7.6
80 68	Twinnick 15pc	78	14.5 6.3 6.0 12.0
123 73	Weller Alexander	20	
263 212	W. S. Vickers	20	

Prices now available on Prestel page 49146.

Please send me a copy of the Report and Accounts for the year ending December 31st, 1981.

Name

Address

Postcode

Signature

Date

To: The Secretary, Royal Insurance plc, Group Head Office, 1 Cornhill, London EC3V 3QR.

Companies and Markets

UK COMPANY NEWS

Bramall earns and pays more

SECOND HALF taxable profits of £1.07m, against £756,000, have pushed C. D. Bramall, Ford main dealer, to £2.11m at the pre-tax level for 1981, compared with £1.67m.

Turnover, boosted by a full 12 month contribution from Clansford Motors and improved volumes by the contract hire, leasing and hire purchase sectors, expanded from £30.32m to £43.56m, while the dividend is increased to 5p (5.50p) net with a final of 3.95p per 25p share.

The directors say that at the end of last year there were signs of a small improvement in order intake for commercial vehicles which is continuing into the early months of 1982, and there are "very definite signs" that daily car rental business has started to improve.

Overall the company has experienced a slow start to the year and an early and severe winter which affected performance in the first two months.

Vehicles sales market is unsettled, and while March has shown a significant improvement over the preceding two months

this will result in a pre-tax figure for this period slightly lower than that in 1981, directors state.

They point out, however, that the introduction of a new model later on this year coupled with the way the rest of the Ford range and commercial vehicles is being accepted, augurs well for the future.

Although the company will have to bear setting up costs of a new venture in Sheffield, directors anticipate that this will soon start making a worthwhile contribution to group profits.

The group's parts and services businesses, which account for over half the group's dealership profits, performed excellently with investments in new premises and equipment for the accident repair facilities within the dealerships making a satisfactory return.

The company will soon open a new bodyshop at Clansford which will further improve profit contribution from this part of the business, directors say.

Tax for the year took £788,000, compared with £386,000, after which earnings per share are shown as 25.1p, against 24.9p.

Highland Elect. in profit

AS A result of "slimming" actions taken in the second half of 1980-81 and subsequently, Highland Electronics Group has returned to profit in the six months to October 31 1981.

The current order intake is satisfactory, and the directors expect profits to continue into the second half of 1982.

From lower sales of £4.3m, against £4.61m, the trading profit fell to £173,202. Interest charges showed a slight reduction, leaving a surplus before tax of £38,115, compared with a loss of £87,164 in the corresponding period of 1980.

The rationalisation programme started last year is continuing with the elimination of unprofitable and marginal operations.

For the year ended April 30 1981 the group finished with a loss of £478,000, compared with a profit of £369,000, and the single dividend was halved to 0.5p.

Small gain for Photax: holds 3.5p

FOR THE year 1981 profits of Photax (London) showed a small improvement from £384,000 to £408,000, on turnover £215,000 ahead at £5.35m.

At the halfway stage profits had been maintained at £351,000. The chairman pointed out that the economic situation had meant a downturn in retail business activity, and the fall in sterling had led to price increases on most of the imported photographic equipment distributed by the company.

The year's dividend is unchanged at 3.5p net, the final being 2p. After tax of £116,000 (£108,000), net profit came out at £293,000 (£276,000). Last year there was a tax release of £11,000.

Earnings are shown at 13.5p (13.8p) per share.

Growth at Royal Insurance but conditions difficult

Mr Daniel Meinertzhagen, chairman of the Royal Insurance group, warns shareholders in his annual statement that trading conditions will remain difficult this year and the turning point in some markets may not now be reached until 1983.

Looking back at last year, he says, that in general he was satisfied with the results—including growth in premiums achieved—in the U.S. and the UK, but the results in Canada and Australia, where heavier losses were incurred, were unacceptable and severe action continues to be taken to correct the position. At the same time a detailed and long-term review is being carried out in both territories.

The chairman says that a satisfactory start has been made towards achieving targets for profitable expansion in those areas and classes of business where good long-term opportunities are seen. This has been particularly true in the U.S. and the UK which together account for two-thirds of total premiums written.

As reported March 2, group pre-tax profits fell by less than 4 per cent from £122.2m to £117.5m in 1981 despite a jump

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official announcements are not available as to whether dividends are intended or final and the sub-divisions shown below are based mainly on last year's results.

TODAY

Intarim—William Low, Smiths Industries, Bodycote, International, Gannett, Easda Guites Investment Trust, Green's Economiser, Lemon, John Manton, Harold Perry, Telford, United Parcel, Webster, Welbeck Investments.

FUTURE DATES

Intarim—Scottish Investment Trust April 22, Lloyds (S.) April 23, North British Properties April 27, RHP May 27, Semulsi Properties April 22, Simpson (S.) April 22, Bair and Wallace Arnold Trust May 11, Calabrese Robey May 24, Faraday Electronics April 27, Hunting Petroleum Services May 27, Sileburgh April 28, Syde April 22, Ventrush Currency Fund April 26.

from £40.3m to £102.9m in underwriting losses. The attributable profit came out at £71.7m, compared with £70.5m, and the dividend is increased by 5.2 per cent to 25.35p per share.

In a group review the directors

state that the results of the action taken to arrest the decline in the group's share of the total insurance market have begun to emerge in 1981 despite the severe action taken in Canada and Australia, inevitably leading to some loss of market share.

In both the U.S. and the UK the objective of real growth was achieved without sacrificing sound underwriting principles, the increase in premiums of over 15 per cent in each of these "being very much in line with our declared emphasis on controlled expansion."

The directors emphasise that the group's "prime objective is not growth for growth's sake." In the year ahead "we will not hesitate to take strong corrective action wherever necessary, but our overall strategy continues to be to maintain and where possible increase our market share where we see profitable opportunities."

They report that the year has not started well for the UK side because of the bad winter weather. There could well be some deterioration in the underwriting balance, but investment income will remain buoyant as a result of the growing premium volume.

Meeting, Barbican Centre, EC, May 12 at 11.30 am.

British Rayophane produces £784,000

PRE-TAX profits of British Rayophane, restructured subsidiary of UCB SA Brussels, Rayophane purchased from UCB Sidac's ordinary capital and subsequently its remaining subsidiaries.

Pre-tax profits of Sidac for 1981 are shown at £295,000, on sales of £45.4m. The shares in British Rayophane (Overseas) T. and R. Graham, Pakcel Converters and SPS Design Associates—all subsidiaries of Sidac—were sold to British Rayophane on September 9 1981 and the Sidac profits incorporate the trading results of these subsidiaries to the date of sale.

Extraordinary credits of £183m shown for Sidac include the surplus of £2.13m realised on the sale of the subsidiaries. The pre-tax profit reported for British Rayophane for 1981 was struck after depreciation of £1.75m (£1.64m for Sidac) and interest of £98,000 (£1.14m). The profit included £93,000 (£87,000) in respect of associates.

After tax of £441,000 (£535,000) and extraordinary credits of £468,000 (£528,000), there was a net loss of £136,000 (£1.94m). The pre-tax loss on a CCA basis is shown at £288,000 (£2.34m).

is itself a wholly owned subsidiary of UCB SA Brussels. Rayophane purchased from UCB Sidac's ordinary capital and subsequently its remaining subsidiaries.

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LONDON TRADED OPTIONS									
April 18, Total Contracts 1096 Calls 531 Puts 565									
Option	Ex. rate	Closing price	Vol.	Closing offer	Vol.	Closing offer	Vol.	Equity close	
BP (c)	280	16	1	30	1	55	4	894p	
BP (p)	280	16	1	30	1	55	4	894p	
BP (c)	300	12	1	20	1	44	1	188p	
BP (p)	300	12	1	20	1	44	1	188p	
CU (c)	120	14	1	30	1	26	1	328p	
CU (p)	120	14	1	30	1	26	1	328p	
Cons. Gld (c)	420	15	27	17	20	45	1		
Cons. Gld (p)	420	15	27	17	20	45	1		
Cons. Gld (c)	480	15	1	14	25	28	1		
Cons. Gld (p)	480	15	1	14	25	28	1		
Cons. Gld (c)	480	15	1	14	25	28	1		
Cons. Gld (p)	480	15	1	14	25	28	1		
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FINANCIAL TIMES SURVEY

Tuesday April 20, 1982

Gold Futures

The London Gold Futures Market was officially opened yesterday by the City's Lord Mayor. Delays and disagreements made the birth of the market a difficult one, but it is expected to establish itself successfully as the only gold futures contract in the European time zone.

Wider trading opportunities

By JOHN EDWARDS, Commodities Editor

THE LONDON gold futures market has not had an easy birth. The launch date—originally scheduled for September, last year—was abruptly postponed in July, allegedly to look for new premises. In fact the original plan to trade gold futures between base metal dealing sessions on the London Metal Exchange, was scrapped.

Instead, it was decided that the gold futures should be completely separate from the Metal Exchange, and also to adopt the method of trading used by the "soft" (non-metal) futures markets.

This sudden change of plan highlighted the behind-the-scenes disagreements between the two sponsors of the new market—the five bullion brokers who form the London Gold Market, and the London Metal Exchange.

Up until October, 1979, when the Thatcher Government suspended exchange controls and lifted the ban on U.K. citizens owning gold bullion, the bullion brokers were the only companies licensed to trade in actual gold bullion.

Their business expanded enormously when the clamp on the gold price (imposed by the U.S. Government) was broken and gold attracted huge investment interest as a hedge against currency and inflation fears. Although South Africa ceased selling its gold through the

Bank of England, London was established as centre for world trade and the daily "fixings" (now twice daily) by the bullion brokers are internationally respected price guides.

An air of mystique surrounds the "fixings," since no one can attend but the bullion brokers, but in reality the price that emerges is simply a reflection of the buying and selling orders received and put together until a consensus is reached.

However, the introduction of gold futures markets in the U.S. at the beginning of 1975—when the American ban on owning gold bullion was lifted—brought a whole new influence on prices. It meant that many thousands of wealthy Americans, anxious about the value of the dollar, were suddenly able to buy and sell gold.

Additionally, margin trading in futures opened up speculation in gold to an even greater proportion of the public, unable to afford to buy gold outright. As a result, price fluctuations increased culminating in the surge to a peak of \$850 a troy ounce in early 1980 and the following, almost equally spectacular, collapse.

It is apparent that futures movements are having a tremendous influence on physical gold prices—in fact often calling the tune in view of the huge sums of "paper" money going into futures.

However, there were, and still are, some problems for people in the European time zone dealing in New York and Chicago—the main U.S. markets.

For a start, there is the time difference, with no facilities to trade during a large part of the European day.

At the same time, different techniques of trading in the U.S. favouring domestic users on the spot, and increasing rules and regulations imposed by the Exchanges and the U.S. regulatory agency, the Commodities Futures Trading Commission, created nervousness and encouraged the idea of a European market.

It was pointed out that a futures market in Europe trading when the U.S. and Far Eastern centres were closed would complete the 24-hour trading cycle and give European and Middle East investors the ability to deal in their own time zone.

Gold trading has been popular in Europe and the Arab countries for far longer than in North America and a large proportion of the volume on the

U.S. markets currently comes from overseas.

In Europe, London was the obvious choice, since not only is it an international physical gold trading but it also has the only big complex of futures markets outside the U.S.

Futures trading in London, backed up by expertise over the years and the City's financial services, has been expanding in recent years as interest has grown.

Curbs ended

The idea of a London gold futures market was mooted by the Metal Exchange even before exchange control curbs came off in late 1979.

When the ban on bullion trading was lifted, the idea was transformed from a possibility to a probability, especially in view of the wild price fluctuations. But it has taken nearly three years to reach fruition.

Why the delay? The first question to be resolved was who would start the market. The Metal Exchange was keen, but the bullion brokers had control over physical gold trading in London. The bullion brokers made a tentative approach to the London Commodities Exchange.

But it became apparent that the LME, which launched a silver futures contract in 1968 in the teeth of opposition from the bullion market, was determined to go ahead alone if necessary with a gold contract. It had the facilities, and futures experience, not immediately available to the bullion brokers.

So it was almost inevitable that the two should come together, especially as three of the five bullion brokers are also

ring-dealing members of the Exchange.

However, it has not proved a happy marriage so far. There have been constant disagreements that delayed the launch of the market. Many LME members think this is a deliberate ploy by the bullion brokers, reluctant to risk their dominant position in gold.

In particular, there has been considerable controversy over the decision to have a sterling contract. Disgruntled LME dealers claim this is a manoeuvre to protect the importance of the bullion brokers' daily "fixings," which are quoted in dollars.

The many opponents of the sterling contract point out that gold is traded internationally, including Europe and the Middle East, in dollars and there will be distinct reluctance to switch to sterling just to trade in London—therefore the market will lose a lot of its instant appeal.

Supporters of the sterling contract say it will make the market additionally attractive as a hedge against changes in the dollar/sterling parity (and provide extra foreign exchange business for traders). It is also argued that so far only gold markets in their local currency have succeeded and, in any event, exchange controls could be imposed again in Britain, particularly by a Labour Government.

There were some problems over membership, too. Initially, it was planned to confine membership to the bullion brokers and "ring-dealing" companies on the Metal Exchange.

However, it was decided this might draw criticism, notably

from the EEC Commission, of being a closed shop, so seven additional seats were made available to broaden the scope of the market. These include commission houses, who have been unable to get on to the LME, and several banks with a special interest in gold trading.

The length of the contract—the spot month and six successive months ahead—also appears to be a compromise, since the LME trades three months forward while the New York market (and London bullion brokers) offer quotation for a year ahead.

Trading, as on the Metal Exchange, will be in warrants entitling the holder to gold held at the market's approved storage vaults in London in units of either a single bar weighing 105 troy ounces or three kilo bars.

City centre

Premises for the new market—leased from the London Commodities Exchange—are in the same office block as the Metal Exchange: the big Plantation House complex in Fenchurch Street right in the centre of the City.

But unlike the Metal Exchange, which trades in five-minute bursts, gold futures has two trading sessions each day—one in the morning from 9.30 to 12.30 and one in the afternoon from 14.00 to 17.00. There are four "calls" at 9.30, 12.10, 14.00 and 16.40.

A major influence in deciding to adopt the "soft" trading method was that gold futures is using the "clearing" system



Gold bullion at Samuel Montagu, in Old Broad Street, London

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Secondly, our clients in Switzerland or abroad benefit from TDB's world-wide network of affiliates and correspondent banks. This includes not only

the major financial centers, such as New York, London and Paris, but also a number of less familiar places, where our exceptional knowledge of local conditions can be a major advantage for clients.

While our operations are international, we run our back-office systems with typical Swiss efficiency and discretion. You may not notice this directly, but it shows up in quicker decisions and fewer errors.

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TDB Holding Group: US\$ 12.1 billion in assets; US\$ 920 million in capital and loan funds employed, as of December 31, 1981.

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Trade Development Bank

Shown at left, the head office of Trade Development Bank, Geneva, Swiss subsidiary of the Trade Development Bank Holding Group, Luxembourg. TDB is now the sixth largest commercial bank in Switzerland.

Two top names in gold.

Continental Ore Europe Limited
Valeurs White Weld S.A.

Between them, Continental Ore Europe Limited (COE) and Valeurs White Weld give Financière Credit Suisse-First Boston a major stake in the precious metals and options markets. The Group's LME Ring dealing member, COE, is a founder floor member of the London Gold Futures Market. This follows their successful introduction

of Traded Silver Options in September, 1981.

Valeurs White Weld have maintained a continuous two-way market since January 1976 in Traded Gold Options and are now established as the world's leading market maker in this field.

If you want further information on either COE or Valeurs White Weld mail the coupon.

Valeurs White Weld S.A.

1 Quai du Mont-Blanc CH-1211 GENEVA 1
Telephone 022-310251
Telex 28305

CSFB Both COE and Valeurs White Weld are wholly owned subsidiaries of Financière Credit Suisse-First Boston S.A., Zug, a holding company with a net worth in excess of US\$100 million.

To: Continental Ore Europe Ltd, 22 Bishopsgate, London EC2N 4BQ.

Please tell me more about your operations. I am especially interested in COE ☐ Valeurs White Weld Gold Options ☐

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Position

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(212) 903180
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ITT 420850
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GOLD FUTURES II

Old gold mines may carry an air of romance but are not easily charged with a new lease of life

Gold share market stays confident

THE GOLD boom of 1979-80 inevitably stimulated fresh investment interest in gold mining shares on a world scale. The more speculative Australian counters lost no time in trying to climb on to the bandwagon and, as usual, quite a number of them fell off towards the end of 1980.

Much was made of efforts to revitalise the famous Golden Mile in Kalgoorlie and of plans for reopening other long forgotten gold properties but little lasting success was achieved. Old gold mines may carry an air of romance but they are not easily charged with a new lease of life.

In North America, the well-established Canadian gold producers rewarded the patience of shareholders who had lived through lean years and some new properties emerged. The Agnico-Eagle group, for example, began to pay off very nicely.

Higher tonnage

It was the South African industry, however, with its great and rich gold mines which continued to dominate both the production and investment scene. But, ironically, the rise in the gold price failed to reverse the declining trend of the Republic's gold output, which has been falling steadily since a peak of 1,000 tonnes

was reached in 1970.

The reason why the booming gold price failed to stimulate increased gold production in South Africa was largely a matter of good husbandry—as opposed to the kind of opportunism that sometimes chases a fast buck in areas of lesser standing in the mining world.

Advancing gold prices provided the South African mines with the opportunity to mine more low grade ore that was previously uneconomic and thus to extend the lives of the mines. So, as required by the Government Mining Engineer, the trend was one of mining lower average ore grades and, where possible, of increasing the amount of ore milled.

Output declined

The increases in the tonnages of ore boisted and milled were insufficient to offset the reduction in output of gold, resulting from the lower gold content of the ore treated. But the sharp advance in the gold price boosted the industry's profits. Dividends followed suit and the sharemarket boom lasted until September 1980 when the Gold Mines index hit a peak of 558.9.

The bullion price, however, had peaked much earlier. It touched an all-time high of \$350 per troy ounce in January 1980 before tumbling to under \$500 in only two months. A subse-

quent rally took the price up to just over \$700 in September 1980, but after that the price went into its long decline.

Inevitably, gold share prices followed the course of metal which, having averaged \$614 in 1980, came out of 1981 with an average of only \$459. This fall of 25 per cent, however, compared with one of only 18 per cent for South African mines.

They were helped by the weakness of the South African rand against the U.S. dollar. The dollar proceeds of gold sales gave the mines an advantage when this revenue was converted into rand. Another cushion was the reduction in their payments to the state under the country's sliding scale tax formula.

At the same time many mines had embarked on major expansion programmes and although the required capital expenditure ranks as a tax offset it still has to be financed.

Working costs, particularly wages, continued their relentless rise. In recent years wages of black workers have been improved substantially and this has had a considerable impact on costs in such a labour intensive industry.

South African gold mines have a minimum of two shafts and usually several more. Manning levels work out at about 4,200 men per shaft on average and the big Vaal Reef mine employs 43,000 men.

One answer to the pressure of rising costs has been, where possible to merge mining operations into a single large property, or supermine.

The marginal grade Western Areas, for example, merged with the Elsburg property in 1974 to create a single high capacity operation. More recently, the merger principle has been taken further. Higher gold prices have made much marginal grade ground next to existing mines an economic proposition, but only as an extension of the present workings—the areas involved would not justify the cost of setting up a separate mine.

An important factor has been the South African Government's willingness to allow existing mines to set the costs of opening up new ground against its own tax liability. These considerations led to a massive £430m merger in the Orange Free State in 1980.

Western Holdings and Welkom gold mines had relatively limited remaining lives, whereas the nearby Erdfeld-Dankbaar held area next to Free State Sasplaas was thought to contain a large deposit of low-grade ore.

The deal was to merge Western Holdings with Welkom and Free State Sasplaas and to mine Erdfeld from Free State Sasplaas.

Unlike their transatlantic



Before the real bustle began: a briefing for the Gold Futures Market in Plantation House

The resulting supermine will make better use of the pooled treatment plant and other facilities and, importantly, the grouping under the enlarged Western Holdings—which was a high tax payer—has provided a tax offset which will greatly reduce the capital costs of opening up Erdfeld.

In 1981 an even bigger development took place. It involved the merger of two of South Africa's richest gold mines, the high tax paying East Driefontein and neighbouring West Driefontein, with the object of mining an adjacent area known as North Driefontein.

The result has been the creation of Driefontein Consolidated, a supermine among supermines. The huge combined operation with its high overall ore grade and big mill throughput will have a life of about 50 years. Annual gold production should build up to more than 80 tonnes.

This would make it the world's largest gold mining operation, slightly ahead of the Soviet Union's giant Muruntau complex in Uzbekistan. The combination of low working costs and high grade ore means that Driefontein can produce gold cheaper than any other South African mine, its break-even operating costs being estimated at the equivalent of only \$110 per ounce.

Now that gold prices have fallen uncomfortably close to the \$300 level, the higher cost South African mines are beginning to cut back or slow down their capital expenditure programmes. There is also the start of a trend to return to mining higher ore grades, where possible—although such a move will take time to implement.

Unlike their transatlantic

counterparts, most South African gold producers are still making money—the current gold price is still well above that of three years ago—and those that are feeling the pinch have South Africa's aid scheme to fall back on.

Dividends are, of course, being cut but they still offer a fair return on money, especially bearing in mind the two-figure yields which will have returned a large part of investors' capital over the past two or three years. Indeed, until recently, many observers thought that the share market had become overvalued.

That view, however, has been softened following the South African budget last month which raised the tax surcharge on mines from 5 per cent to 15 per cent. This could reduce distributable earnings by over 10 per cent for higher quality mines.

Nobody seems to expect any early sustained rally in the bullion price. Mr J. Ogilvie Thompson, chairman of the major gold share investment company Anglo American Gold Investment (Amgold) has said

that the price "may languish in the near future," but he has expressed his confidence in the longer term, as have other industry observers.

This might be greeted with the comment: "Well, they would, wouldn't they?" But if a degree of self-interest has to be admitted, it is also true that the mining industry is sincere in its view that stability will return to the gold market, and it is backing this view by continued high spending on exploration programmes.

Demand for gold, like all metals, tends to be of a cyclical nature and the sharemarket has had its full share of ups and downs in the past. The current doldrums are largely a result of past over-speculation and the present slowing in inflation, coupled with high interest rates.

However, who is to say that when world economic recovery comes there will be no inflation and thus no need to turn to gold as a haven from the falling value of paper money?

Kenneth Marston

Mining Editor

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Traded options wait to take the stage

OPTIONS available for gold are somewhat different from other metals. This is because, until now, there has not been a gold futures market in London to provide the grantor of options with hedging facilities, while in the U.S. futures options have been banned in recent years, although a pilot programme will be started shortly.

In the U.S. however, approval was given for traded options, issued by two companies—Mocatta Metals and Valeurs White Weld S.A. The Winnipeg Commodity Exchange in Canada pioneered trading in gold options in April 1979 and the European Options Exchange introduced a gold options market last year. Neither have been a conspicuous success.

All these are what are known as traded options, and differ significantly from the options offered on other metals.

Traded options are offered for specific maturity dates and fixed striking prices. Although little understood, or used, by private investors, gold traded options have become increasingly popular with financial institutions, such as banks, which have a vested interest in protecting the value of their gold holdings.

A pioneer

Valeurs White Weld, a subsidiary of the Credit Suisse group, claim to have pioneered the introduction of the gold option market in Europe at the beginning of 1976.

The main business is in gold call options which gives the holder the right (but not the obligation) to purchase a specified quantity—in units of 100 oz—at any time until the specified maturity date at the predetermined striking price. The option can be exercised or resold any day between the day of purchase and the expiration date.

The premium paid to acquire the option varies according to the state of the market—whether sentiment is bullish or bearish or prices are highly

volatile. Also taking into account when fixing the premium is distance between the market price and the striking price of the option, and the maturity date of the option.

A longer maturity period means a bigger premium since the risk of substantial market price change is that much greater.

The big advantage of dealing in options is that the investor knows the maximum amount that can be lost (i.e. the premium paid) if the option is not exercised. So the risk is limited, but if the markets move in the "right" way, the investor can make a substantial amount for a relatively small outlay compared with purchasing gold outright.

In addition options can be used to protect the investor against a decline in price and to cover the cost of future requirements. The disadvantage is that payment of the premium reduces potential profits, while lessening the risk involved, and if the market remains stagnant the premium is lost.

Valeurs White Weld deal in minimum lots of 100 oz. But the European Options Exchange in Amsterdam, in an attempt to widen its appeal, has a 10 ounces minimum unit of trading.

Comex (the New York Commodity Exchange), which runs the world's biggest gold futures market plans to introduce a gold options contract shortly as part of the pilot programme being launched by the Commodity Futures Trading Commission to reintroduce commodity option trading, in a respectable and highly regulated form.

The London gold futures market has no immediate plans to trade options as well. But there is little doubt this will be considered since the International Commodities Clearing House already guarantees options in the "soft" (non-metal) futures market that it provides with clearing facilities.

John Edwards

Citifutures Limited

As floor dealing members, Citifutures wishes the London Gold Futures Market and London International Financial Futures Exchange every success, and will be pleased to answer enquiries on the new London gold and financial futures markets.

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GOLD FUTURES III

Sharp mining expansion is expected in Latin America,
Soviet Union and China

Many problems in keeping supply lines open

SINCE GOLD was deposited on the surface of the earth in various different ways, it follows that there are several different ways of extracting it.

Deposits are mostly of two types, alluvial or reef. Alluvial deposits, otherwise known as placer deposits, are generally found much closer to the surface, as the gold has been carried in flowing water from its original place of occurrence.

The gold is laid down in places where the flow of water was slowed for some reason, perhaps because the waterway took a bend, or simply grew wider.

Gold in reef form is indigenous metal, embedded in the host rock in veins or lodes. Placer gold originally came from reef formations. The action of erosion exposed the reef and gold was washed away from the original site, sometimes over long distances, by running water.

Placer gold, so far as can be determined, was the first type to be discovered. All extraction methods for placer deposits exploit the high density of gold in order to separate it from the much lighter materials with which it is commonly found.

Early methods
It did not require much technical knowledge to work out a way of putting this property of gold to good use, and it is probable that panning was the first extraction method used. The miner used a pan in to which he put a small amount of dirt or gravel from his chosen waterway, plus a considerable quantity of water.

The resulting mixture was swirled around in the pan, with one side tilted slightly higher than the other. By this means, heavier material, including any particles of gold, was deposited on the lower portion of the pan, while lighter material remained suspended in the water.

The water was then poured off, carrying with it the waste. The gold could be picked out from among the other heavy material by hand.

This type of mining was very much a hit or miss process, and

the work was backbreaking. Very few people ever struck it rich this way.

The panning method was eventually refined by the construction of a cradle, suspended on rockers at the side of the watercourse. The invention of this device meant that much larger quantities of dirt or gravel could be processed at one time.

The raw material was shovelled into the cradle, quantities of water were added, and the cradle was rocked.

Baffles fixed to the bottom and sides of the cradle would retain any heavy material. The cradle would be emptied of water and the gold recovered by hand as soon as the miner felt he had sufficient gold to make it worth stopping work.

This was the basic method of the enthusiasts of the 1849 gold rush in the western U.S., and it is still in use in parts of South America to this day.

The principles of this method of dealing with placer gold have not changed since those times, although much more sophisticated machinery is now in use. Dredging is without doubt, the most widely used technique for placer deposits today, notably in the Soviet Union.

The extraction of reef gold employs many of the same methods as those used for other metals, whether in open pits or underground.

The techniques of shaft sinking, drilling, blasting, haulage of ore and waste rock and so on are common to most mines, but there are some special problems associated with gold mines.

The hard and abrasive nature of the host rock in which gold is usually found means that there have been comparatively few advances in gold mining techniques recently. Drilling and blasting, although recognised in other mineral extraction as inherently wasteful, have been continued with as the only practical means so far devised for dealing with the quartz-like host rock.

It has long been thought that the answer to this particular problem might lie with rock-cutting machines, perhaps on

the lines of those used with success in coal mines around the world.

However, little concrete progress has so far been reported, despite considerable effort and expense, especially on the part of South Africa's Chamber of Mines. This body has taken over parts of the Doornfontein gold mine as an experimental testing station for rock-cutting machinery, but no economic system has yet been devised.

Great depths
This particular problem is exacerbated by the broken and faulted nature of many gold deposits.

Other problems are largely a result of the great depths at which gold-bearing reefs are often found. With some South African mines operating at depths of more than 2½ miles, temperature and pressure become serious, and even potentially fatal problems.

A lot is done to acclimatise underground workers to the extremes of temperature they will experience before they ever venture below the surface, but even then massive refrigeration systems are necessary.

The Chamber of Mines has been experimenting in this area as well and its experts hold out great hopes of using ice rather than cold water or air systems to keep temperatures at tolerable levels.

The pressure problem is mainly exemplified by the phenomenon known as rockbursts, which account for something like 80 per cent of all fatal accidents in South African gold mines.

This is a problem of the control of rock strata, arising from the extreme pressure brought to bear on huge masses of rock which have been extensively mined, sometimes resulting in the collapse of whole sections.

In spite of the enormous difficulties associated with the mining of gold—not least of which is the considerable capital needed to finance developments—people will continue to produce it for as long as the demand exists.

Demand and price are closely linked to each other, and with

both of these fluctuating rapidly, as they have done over the past few years, predictions on supply must at best be tentative.

When the bullion price reached its historic high of \$850 per troy ounce a couple of years ago, all the talk was of deposits which could then be economically exploited. Many of these have already fallen by the wayside as the gold price has dropped to well under half that all-time high, and they will not be heard of again until the cycle turns firmly upward once more.

It must be remembered, however, that the gold price, although currently low by recent standards, is still around 10 times as high as the former official level of \$85 an ounce of 14 years ago. There are therefore gold deposits which could be worth working at present prices, and more are still being discovered.

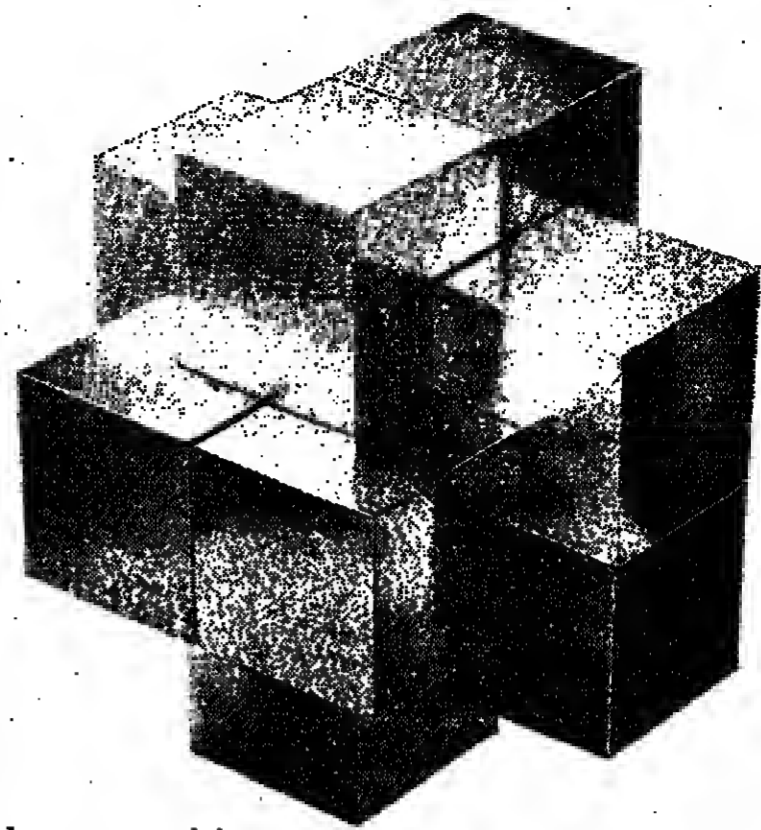
The consensus of opinion seems to be that there will be relatively little net change in supply over the rest of this decade, as new projects will for the most part simply be replacing output from exhausted mines.

Most commentators cast South Africa, the western world's biggest producer with some 70 per cent of output, in the role of the fading star of the gold scene. Many of the country's mines have already been in production for a considerable number of years.

The main thrust of higher production is expected to come from two major and one minor sources. The latter comprises new developments in the U.S., Canada and Australia—the industrialised world's next most important producers—although some of these new projects are likely to have fairly short lives.

The major sources will be Latin America, led by Brazil, where total output could rise by up to 30 to 40 tonnes a year during the next 10 years, and the Soviet Union and China, which are expected to boost their combined output by perhaps as much as 40 tonnes a year.

George Milling-Stanley



A knotty problem.

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A wide choice awaits the bullion investor

LONDON traded futures add a new dimension to an already bewildering array of investment options open to gold enthusiasts. Investors can put their money directly into gold via bullion or coins; plump for a producer based investment and buy gold mining shares; adopt a more conservative stance and spread the risk by investing in a unit trust which in turn will tap a number of different forms of gold investment; or they can plug into any one of a myriad of less obvious outlets like gold indices or gold and currency pool investment.

Whatever the choice, it will have one basic common denominator—substantial risk. By any standards, investment in gold is a gamble. The bullion price tends to be volatile and can be subject to additional unstable influences like foreign exchange fluctuations. The market place also tends to be very professional: gold is no respecter of the amateur or the uninitiated.

This is especially so of direct investment in bullion where the stakes are high. Bullion markets are no arena for the man in the street. Individual investors have to be wealthy for the minimum investment in the bullion market tends to be

around \$140,000 or a single standard 400 ounce gold bar. On top of this there is the dealers commission, usually a quarter of a percentage point on the cost of the deal.

The five brokers authorised by the Bank of England dominate the London bullion market and decide the price of the metal at two daily fixings. If bullion is dealt in at the time of the fixing commission will not be charged with the dealer taking his margin through his dealing spread.

Variety

The investor has a wide choice of both gold types and bar sizes. There are some 18 different sizes of standard bar with the number rising to around 50 if the various qualities of gold are taken into the reckoning.

Similarly, there is a wide choice of coin available in London, although the market is centred mostly on Kruggerands and sovereigns, the two most freely traded coins. The Canadian Maple Leaf and the Mexican Peso are also relatively marketable, but many other coins are either hard to buy or difficult to sell once acquired. Bullion dealers tend to stick to

Kruggerands and sovereigns, and some will arrange a deposit service on fairly sizable deals.

But the smaller investor can also dabble freely in coins. Apart from established coin dealers—Johnson Matthey, one of the authorised bullion dealers, has a retail counter in Hatton Garden—any number of banks and stockbrokers operate a gold coin service. Among the clearing banks, the National Westminster will both buy and sell for customers and non-account holders.

The choice of coin is wide. There are four different sizes of Kruggerand and three quite distinct categories of Sovereign: there are French 20s, American \$20 Eagles, Austrian 100s, Russian quarterstones, Charvetons and many others. There is a level at which coin investment starts to merge with collecting. Once this is passed the fundamentals become less clear-cut, less dominated by the bullion price. At this point, rarity values and quality of preservation start to have a major impact on retail prices.

Many of the more esoteric coins are not readily marketable: no such problems exist in mining share markets which in London have been an integral part of the stock market scene since the nineteenth century. Most activity centres on South African mining shares, although investors can spread their political risks by buying shares in Canada and Australia.

Under the influence of a depressed bullion price, profits from gold mining have been falling for the past couple of years and are still heading down in 1982.

Margins have been hit by rising costs which, on average, increased by around a fifth for South African mines last year and will probably go up by a similar percentage this year. Many mines are already in the red, and a number of companies have been forced to pass dividends.

In striking contrast to all this gloom, gold mine shares have been bounding upwards in recent weeks. At one time this month, the Financial Times gold mines index was posting a gain of around a third over its March low for 1982 as a shortage of stock on the jobbers' books coincided with the rally in the bullion price.

Further recovery in share prices—the index is still less than half its all-time peak level of September 1980—depends on the future course of the gold price. Mining profits in South Africa are still moving down and dividend hopes remain depressed.

Until the advent of gold futures trading in London, the main futures markets existed in the U.S. Over the past half dozen years futures markets have opened with varying degrees of success in Hong Kong, Singapore and Sydney. There is also a limited market in Tokyo. But the main centres have been in Chicago and New York.

Futures activity has increased rapidly in recent years and to some extent it has become a major influence on bullion prices. The North American markets in particular have spread interest in gold to a wider audience, allowing investors and speculators to move in and out of gold rapidly and on a 10 per cent margin.

Margin element

The margin element has been an important element underpinning the popularity of futures markets. Unlike direct investment in gold, investors do not need to lock away large sums of money. Futures trading also allows the investor to jump both ways—simultaneously, if he wishes. He can sell gold he does not possess just as easily as buying on the expectation of a rising market.

Moreover, futures markets can, and increasingly do, react quickly to any political or economic developments affecting the value of physical assets. Constant movement on this scale partly explains the increased volatility of the bullion price in recent years. Clearly, strong nerves are needed to tap this sort of market. For the more timorous gambler there are plenty of less exacting options. For a minimum of £2,000, a slice of the Winchester Life currency and gold pool can be acquired. The fund has more than doubled investors' money since it was founded in 1979. There are initial and running charges, and a performance fee but this is geared only to capital gains.

Jeffrey Brown

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GOLD FUTURES IV

New York Commodity Exchange dominates U.S. gold trading

World's leading gold market start in Tokyo

THE START of Gold futures trading in London is being awaited with mild curiosity—but no great apprehension—in the U.S., which now considers itself to be the world's leading gold market.

Virtually all U.S. gold trading is done on the futures markets rather than the bullion market. The vast majority of it is concentrated in New York's commodity exchange, the Comex, a cavernous modern trading floor located at the foot of one of the twin towers of the World Trade Centre in the financial district.

Last year, the Comex traded about 10.4m contracts, four times more than its nearest rival, the International Monetary Market in Chicago. This marked something of a switch from the old days when Chicago dominated the field. The Comex came on strongly during the precious metals boom of the 1970s and now seems to have achieved unquestioned dominance. I even managed to increase volume last year when the market deteriorated badly, and the IMM's turnover actually shrank. The Chicago exchange is now looking into ways of increasing the size of its gold pit to host trading there.

The Comex's success has partly to do with marketing—

always a key component of success in the futures business. Its location close to Wall Street also helped, especially given the growing financial importance of gold. In other respects, however, New York and Chicago are similar: the gold futures contracts they trade are virtually identical, though delivery months can differ. Both contracts provide for delivery of 100 troy oz of a given fineness of gold.

Occasionally, there are small differences in the prices quoted on each exchange, which offer opportunities for arbitrage. But given the intensity of trading, these tend to be short-lived.

The drop in the value of gold has, however, brought changes in the character of trading in the markets. During the boom, trading was driven by strong demand: investors wanting to acquire and own gold. Now, investors have pulled back, meaning that much of the business has switched to speculation and hedging. In the Comex, many seasoned traders have been content to enjoy their profits and leave the floor to new entrants. Some people say this has reduced the market's liquidity. "There's a new generation there now. The market's got a bit more choppy,"

said one Wall Street gold trader. The time difference with Europe means that U.S. gold trading only gets under way as the afternoon fixer are being made in Europe, and these usually act as a guide to the New York opening. But U.S. traders maintain that the American markets quickly take over, and lead trends for what is left of the trading day in Europe.

TRADING VOLUME IN GOLD FUTURES (millions of contracts a year)		
	Comex	IMM
1981	10.4	2.5
1980	8.0	2.55
1979	6.5	3.6
1978	3.7	2.8
1977	0.9	0.9
1976	0.5	0.3

London's entry into the gold futures market is being viewed with some scepticism. U.S. traders doubt that it will attract enough liquidity to become a substantial market, and the decision to quote prices in sterling is expected to create problems, not just over currency conversion but because it exposes overseas traders to a foreign exchange risk on top of the gold risk. The market could, however, attract some business

from people who want to avoid the regulatory constraints and disclosure requirements of the U.S. market.

The U.S. gold market is about to take another step forward with the introduction of options on gold futures. An application to trade these new-fangled instruments has been lodged by the Comex with the commodity futures trading commission, and approval is expected soon.

Options will give speculators and investors yet another way to take positions in the gold market. Traded options convey the right to buy or sell gold futures at an agreed price. Unlike futures, they do not convey an obligation to buy or sell, but they do enable people to take highly leveraged positions knowing exactly what the maximum downside risk is, namely the price they paid for the option.

Traders expect options to be popular, but they could take a while to catch on because of the complexity of trading at what is essentially two steps away from the underlying market. One trader said they might even trade at a premium because of the popularity.

David Lascelles

Futures market will attract larger industrial buyers

Variety of industrial applications

USES of gold for commercial, industrial and dental applications have increased steadily in recent years, depending to a large extent on the price, and the stability which the futures market will create for these sectors should be welcomed.

However, it will clearly be some time before the full implications of the market become apparent to the industrial end user, since gold is often supplied through indirect channels and in forms other than bullion.

The fact that gold is often sold to industry along with various compounds, and to the dental industry in the form of assorted alloys, means that prices are stabilised to some extent by the suppliers, who often process and deal in a number of different precious metals.

It is of course likely that companies such as these will be making use of the futures market, as will some of the larger dental laboratories which buy gold in sufficient quantity

to make it worth while for them to do so.

According to Consolidated Gold Fields, gold consumption for these uses was low during 1980, as a direct result of the high prices which were experienced for most of that year. Last year's figures are not yet available.

Only 9 tons of gold was used by the jewellery industry, compared with around 22 tons in 1979, as prices soared and the retail demand fell accordingly. The immediate response of jewellers was to encourage the "fashion" of lighter weight gold jewellery, while in other countries lower carat gold has been used more widely.

Prices

Although some jewellers saw the value of their stocks increase rapidly during this period, and therefore made paper gains, they were of course faced with far higher prices when replacing their gold and more valuable items of jewellery proved difficult to sell.

The subsequent fall in the price of gold illustrated even more clearly the potential benefits of a futures market in this country, although the violent fluctuations in prices have recently encouraged a high proportion of users to buy gold on a hand-to-mouth basis.

This has meant that any price movements could be passed on as quickly as possible, although some element of risk has of course remained. Any company needing to purchase a fairly large quantity of gold for manufacturing purposes must run a period of risk, however short, unless future sales are on a cost-plus basis.

The next largest use of gold within the UK is for electronics, since it is the most conductive material known and few acceptable alternatives have been found. Most of the gold supplied for this purpose is in the form of liquid potassium cyanide for the coating of electronic components.

Although demand from the electronics industry has grown

in recent years, in line with overall expansion, gold plating techniques have also advanced and gold thicknesses have been reduced. However, these are to a large extent dictated by British Telecom standards and those required by the Ministry of Defence.

One company, which specialises in the manufacture and use of gold cyanide is Precious Metal Depositors of Coventry, which coated around 14m electronic components last month. A high proportion of overall demand in this sector comes from British Telecom related contracts and from the computer industry.

Precious Metal Depositors believes that the gold futures market may well be of use although the company has so far pursued a policy of buy/sell only for immediate requirements, in amounts of up to around 20 kilos, and avoiding risks since the margins on its work are already small.

Overall, industrial users of gold, particularly the smaller companies, are seldom fully aware of the potential advantages of the futures market, and the complications of using overseas futures markets have made them unattractive for most small concerns. However, many are generally concerned at the risks they face through value fluctuations, and would like to reduce these since they often have limited capital to give flexibility.

The British dental profession is the next largest user of gold, although the amount is small, at around 0.6 tons in 1980 is comparatively small, again a reflection of "customer" resistance to prices. Dental laboratories report that demand for gold in dental work fell considerably as a result of the price increases, but is now returning to more normal levels.

In addition to this price problem, laboratories and dentists face considerable difficulties over the cumbersome nature of the National Health Service's pricing system for work, which often means that NHS payments are out of line with the

real prices being paid.

One laboratory, Aesthetic Dental Services of Harrogate, which said that it buys comparatively large quantities of gold, believed the gold futures market would be of considerable value.

"We have to work closely within a defined parameter and dentists today are always looking for a fixed margin on their time, so the ability to get fixed prices on gold will be a great advantage," the company said.

It is understood that a number of dental laboratories lost considerable sums of money recently through the sudden fall in gold prices, and some companies which buy relatively large quantities—perhaps two to three kilos a month—inevitably face a gamble as well as a large capital requirement.

However, an increasing number of the 25 or so larger dental laboratories are relying on the supply of dental alloys from processing companies to avoid buying their own bullion.

Medallions

During 1980 a further 2.3 tons of gold were sold for "other industrial uses," mostly in potassium cyanide form, for use in the tableware and china industries, where decorative work requires gold in this form. A further 0.4 tons was sold for the manufacture of medals and medallions.

Overall, it is difficult to establish how much gold is used by industry over a given period, since an indeterminate proportion of demand is met from scrap. The amount of scrap used in 1980 will have been substantial, dealers suggest, since the high prices attracted a high volume of sellers.

The futures market will certainly have its attractions for price setters in Japan. But they are not giving up without a fight. They have agreed to assay gold delivered at the market—for a hefty percentage equaling about 768,000 per bar at current prices. No solution has yet been reached between the bullion dealers and the market.

Lorne Barling

TRADING in the Tokyo gold futures exchange has been lacklustre since the champagne opening on March 23.

The first day's, largely ceremonial, trading set a record of 1,026 kilos. Since then the daily volume has rarely neared 500 kilos — although news of the Falkland Islands confrontation gave the market a boost.

This slow start is, in fact, just what the Ministry of International Trade and Industry (MITI) wants. The decision to list gold as a commodity put an end to the unofficial and often unscrupulous private gold futures exchanges which mushroomed in Japan after a new interpretation of the commodities law.

MITI has received 500 complaints from those who lost a total of ¥250,000 on this "black" market. "That was only the tip of the iceberg," says one MITI official.

The new futures market has come about as part anti-fraud measure, part aid to revitalise the commodity markets and part genuine business tool. Japan is still in the first flush of gold fever. Restrictions on imports and exports of the yellow metal were lifted in 1973 and 1978, respectively. Falling prices and increased availability gave sales of gold to individuals a huge boost last year. Imports rose more than five times to 167 tonnes in 1981 from the previous year.

Gold users can now buy 99.99 gold forward in kilos at yen prices during working hours, avoiding the time difference and currency risk of doing business in New York or Hong Kong.

There are now four trades a day, although this will rise to six eventually. By June it will be possible to trade up to six months forward.

Gold is the first new commodity to be traded as a future in 50 years. Japanese commodity dealers have been pressing for several years to trade gold futures as one way of pepping up declining market volume but until 1980 MITI refused.

The opening of the market does not, however, appear to have solved many problems. Gold users do not seem to be using it and the high margins, non-members must pay to stop encouraging domestic and foreign speculators.

Commodity markets in Japan have a notorious reputation and the gold futures exchange will depend on the quality of its members to live down the image it inherits from its unofficial predecessors.

That is one reason why companies with good household names like Mitsui or Mitsubishi Corporation were urged to join. Mitsui is the only giant Japanese trading company to be among the 40 ring dealers in the market's 144-strong membership. It has traded regularly but other companies appear to be taking a wait and see attitude. "If the market seems a good one then we may participate," says one gold dealer from a top Japanese trading firm.

Japan's bullion dealers, dominated by Tanaka Kikinzoku KK, are giving the exchange the cold shoulder and continuing to use overseas spot markets. If the Tokyo market is successful it will oust them as price setters in Japan. But they are not giving up without a fight. They have agreed to assay gold delivered at the market—for a hefty percentage equaling about 768,000 per bar at current prices. No solution has yet been reached between the bullion dealers and the market.

Julia Elcock

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GOLD FUTURES V

Uphill start for new Hong Kong exchange market

THE OLDEST indigenous Hong Kong gold market is the 70-year-old Chinese gold and silver exchange, commonly called the Kam Ngan. While a couple of well-to-do "foreign devils"—firms deal on it through associates, such as Wocom through Wing On, the Kam Ngan is a Chinese market.

The gwai-jos have come rather late on to the local market place, but in August 1980 a gold futures contract was added on the floor of the Hong Kong commodity exchange. Contracts of 100 troy ounces are now traded on current monthly spot positions, plus forward positions at one, two, four, six, eight and 10 months.

Spot trading was added last August, in the expectation that it would create more trading opportunities, as well as aligning Hong Kong trading with U.S. markets.

However, with a rival gold market in the Kam Ngan, and dealing houses making up local London and loco-New York books in Hong Kong, the commodity exchange has had an uphill start. While August may be a favourable month in Chinese terms, in 1980 gold terms it was well after the bullion boom, and into a seemingly secular bearish market which has persisted, with the odd hiccup, to the present day.

The result has been slack

gold trading at the commodity exchange. After a flurry of opening day excitement, with almost 800 contracts traded, dealing volume has slipped down to typically 100 lots a day.

The biggest shot in the arm for the commodity exchange gold contract would be some sustained and dramatic action in the gold price. The turbulent markets of 1979-80 are said to have given a strong boost to trading on the Kam Ngan, reckoned among the world's largest gold markets. Dealings on the Kam Ngan are loosely regulated and anonymous, and denominated in taels—equivalent to 37.73 grams—priced in Hong Kong

dollars. Although basically a spot market, Kam Ngan contracts can be "rolled over" at a premium.

Without assistance from the gold price, the commodity exchange must look for only gradually increasing interest in its gold contract. "We don't have some desperate zeal to get the thing off the ground, do or die," explains Mr Rory Nicholas, president of the exchange's management committee. The situation is, he explains, a "chicken-and-egg" problem. Large open interest is required to accommodate large dealers, while large dealers are necessary to establish large open interest.

One possible bull point for

the future is that a local financial futures market currently is being discussed in Hong Kong. If such contracts were added to the exchange, its scope and clientele would be increased to the possible benefit of other contracts.

"The exchange is certainly not downhearted. Mr Nicholas says that since it opened five years ago, seats have been bid up from an initial HK\$100,000 to HK\$1.5m, with a waiting list. In two to three years' time," says Mr Nicholas of the gold contract, "we will have a reasonably well-established market... one has to be patient."

Robert Cottrell

THE GOLD EXCHANGE OF SINGAPORE

Trading volume improves

WHEN MOST good Singaporeans are safely tucked up in their high-rise flats for the night, a small number of dedicated individuals are only just beginning work—trading in gold.

From 9 pm to 3.30 am local time—to match the opening of New York's Comex—"the butcher, the baker, the candlestick maker," according to one gold dealer, play the market. So, too, do their counterparts in neighbouring Indonesia and Malaysia, linked to Singaporeans by telephone.

Singapore's Monetary Authority (MAS) is currently considering the need for a Gold Trading Act to regulate a market in which some gullible speculators are being increasingly matched by a minority of unscrupulous operators. Despite the existence of an official futures exchange, the Gold Exchange of Singapore (GES), established in November 1978, by far the largest volume of gold business is done through other centres—Hong Kong, New York and London.

Regulations

Outside the GES the market is unregulated and in the past year or two a number of bullion houses have sprung up which operate on the unofficial loco-Comex market. The dealer takes an order from a customer for a futures contract but instead of placing it on Comex, matches it with a selling customer. The dealer then makes or loses on the price. A large part of such contracts are dealt with "in and out" on the same day. Part may be laid off to the official Comex, if buyers and sellers are too unevenly matched.

The authorities have been reluctant to impose strict regulations on gold dealing because traditionally traders in the region have preferred to remain anonymous and the imposition of disclosure rules could discourage the growth of Singapore as a gold market.

However, the MAS is equally concerned to maintain the republic's orderly image in international financial markets and it seems more than likely

that calls for legislation to protect the investing public by putting gold traders under stricter supervision will be translated into action in the near future.

Meanwhile, the GES itself continues to suffer from what its chairman Loh Hoon Sim calls "a chicken and egg problem"—the reluctance of traders to participate because the market lacks liquidity, while liquidity cannot increase because of the lack of interest by important traders. Less than 10 per cent of total futures contracts in Singapore are transacted through the GES. However, turnover has increased from an average of 18,000 ounces a day in March to 21,000 ounces a day in March 1982, in what Mr Loh describes as "an encouraging improvement in trading volume."

From April 1 this year the gold clearing house, which is composed of four local banks and the Bank of Nova Scotia, has reduced the deposit an exchange member has to place with it by 25 per cent—from U.S.\$2,000 per lot to U.S.\$1,500 per lot. The exchange's clearing fees have also been reduced, by 50 per cent, to bring them into line with those in New York and Hong Kong. However, most gold-dealers agree that these measures, while a step in the right direction, are unlikely to increase the GES share of the futures market in Singapore.

Overall, they say, the Government has provided an encouraging tax framework for the growth of the gold market, having reduced the tax on offshore gold transactions from 40 per cent to 10 per cent. In addition the recent budget exempted non-residents from paying estate duty on gold deposits with Singaporean bullion companies. But, so far, the Government has declined to lift the withholding tax on interest paid to non-resident gold dealers, which would make them more competitive with the banks, which are already exempt.

Kathryn Davies



This year has seen signs of a resurgence in demand for Krugerrands

Coin market struggles to find new level

THERE are any number of gold coins available to the investor. This newspaper alone provides a daily price quotation for a dozen coins, including four different sizes of Krugerrand and three separate categories of Sovereign, the two most freely marketable coins. Of the rest, the Canadian Maple Leaf and the Mexican Peso are also widely traded.

But the list is almost endless. There are French 20s, American \$20 Eagles and Austrian 100s. Even the Russians mint their own coin, a quarter ounce Chervonets which the Moscow Narodny Bank has been trading in London for the past year. Beyond this, the field begins to get a bit esoteric, but much of the fun of investing and collecting for gold enthusiasts lies with tracking down out-of-the-way varieties of coin.

The mainstream of gold coin business in London centres on the Krugerrand and the Sovereign. The Bank of England has always been discreet about its Sovereign salesmanship, distributing the coins through the London bullion houses with the minimum of fuss. The contrast with the South African authorities could not be more stark given the latter's enthusiasm for publicity and the steady stream of statistics

that emerge from the International Gold Corporation. According to InterGold, Europe replaced the U.S. as the biggest market for the Krugerrand in 1981, thanks to high U.S. interest rates and a fairly steep rise in the political temperature in Eastern Europe. Americans took up less than 40 per cent of the total Krugerrand off-take last year with the European market absorbing about half. Total sales in 1981 rose by an eighth to around 3.5m coins.

The Krugerrand, has its origins in attempts to demonetise gold from the time of the Bretton Woods agreement of 1944. The Chamber of Mines in South Africa, which represents the collective interests of the country's mining industry, was encouraged to find new ways of marketing gold in a form which, once sold, would keep the metal off the market.

Big success

Although it was not recognised as so at the time, the first step was the striking of 7,000 single ounce medallions which were sold by the South African mint. But the concept of the single ounce coin did not really surface until 1964 when it became known as the Krugerrand. Initially the coins struck were proof-like, high quality coins sold at high prices to collectors. In the wake of poor sales, South Africa decided in 1970 to mint larger quantities of non-numismatic varieties which would appeal to a wider public.

The success of the Krugerrand marketing effort is self-evident. In 1970 sales of the coin totalled just over 200,000. By 1978 a peak figure of 6m had been attained, helped by the rapid appreciation in the bullion price which over the period rose from around \$50 an ounce to well over \$200.

Subsequent years have proved less successful for the single ounce salesman. South African coin output was cut back, and in any case the 1978 performance was substantially inflated by heavy buying in Germany ahead of the imposition of VAT on gold coins.

This year has seen signs of a resurgence in demand. Sales of Krugerrands for the first quarter of 1982 were running some 42 per cent ahead of the opening quarter of last year with sales in March more than double their level of the preceding February.

Although UK residents have been allowed to trade freely in gold since foreign exchange controls were lifted during the autumn of 1979, the domestic market in gold coins remains stubbornly modest. Some estimates suggest that as much as 90 per cent of coin trading in London is of foreign origin. Banks, stock-brokers and bullion dealers have all entered the coin market, but business continues to fall woefully short

of its continental counterpart. It remains to be seen whether the launch of gold futures trading in London can provide a spur to coin business. It should at least increase UK investor awareness of gold as an investment option. For the moment though the coin market in London is struggling to find a new level following the sudden imposition of VAT in order to close a tax loophole and clamp down on what appears to have been a major fraud.

The longer-term impact of the 15 per cent surcharge, bringing coin dealing into line with the tax status of bullion, is less than clear. It may encourage UK investors to channel their business via the continent where, in general, tax on coin dealing is lower than in this country. The short-term impact has been to bring business in London grinding to a halt.

Some dealers are exploring with Customs and Excise the possibility of exempting from tax coins held on deposit for the buying client. In time, this may lead to gold certificate business in London, allowing investors to circumvent VAT. This method of gold trading flourishes in Germany after a VAT imposition on gold coins a couple of years ago.

Sharps Pixley, among the five members of the London bullion market, is preparing to step up its coin deposit business in the wake of the new VAT regulations. But it is not exactly aiming at the man in the street. Its minimum deposit is around \$10,000. Fees are competitive at around a quarter of 1 per cent, or roughly 2p a Krugerrand per month or 1p per Sovereign.

The High Street banks operate at a more modest level. National Westminster and the Ulster Bank will buy and sell for account holders and non-customers. Barclays confines itself to selling coins and then only to customers. Standard Chartered Bank will sell, but will only buy back from account holders and then only those who have left the coins on deposit.

Unlike Sovereigns minted after 1937, Krugerrands are liable to capital gains tax in this country. The former are still a sterling currency and are therefore exempt from CGT. All gold coin enthusiasts should be one tax point in mind. If they buy and sell too actively, they will be liable to income tax as a gold trader—although it is not entirely clear at what point the Inland Revenue is likely to step in.

Finally, the retail premium on gold coins can vary. For Krugerrands it fluctuates between 3 per cent and 9 per cent above the bullion content of the coin which comes in four sizes, single, half, quarter and one-tenth ounces.

Jeffrey Brown



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GOLD FUTURES VI

The physical sector should stay dominant on prices

New market could alter bullion balance of power

DURING GOLD'S long two-year price slump from the overheated peak of January 1980, the market has been dominated by the overriding laws of supply and demand in the main physical bullion centres of London and Zurich.

The futures markets of the U.S.—where much of the running was made during the great leap forward of gold and silver in 1979—have lately taken a back seat in determining prices, even though volume on these markets remains many times that of the physical sector.

Establishment of a futures market in London may lead to some change in the balance of power between Europe and North America.

But as long as world interest rates, especially in the U.S., remain high in real terms, the physical markets are likely to remain the dominant influence on the price. Expensive credit tends to dampen highly speculative futures operations of the sort seen three years ago. Certainly, so long as the world recession continues, the attention of the gold market will remain focused on the underlying economic positions of producers and hoarders which have had so much impact on the price over the past two years.

It is at first sight surprising that the world's main two producers, South Africa and the Soviet Union—responsible between them for about three quarters of the world's new supplies—have made very little use of futures markets until now.

The Big Two continue to sell the bulk of their supplies through the physical markets of London and Zurich—although both are also making increased use of direct sales to New York and the Far East.

Buying and selling by long-term hoarders—as well as transactions by the jewellery trade—also take place almost exclusively in the form of physical operations.

The rally in the gold price from its low point under \$320 reached last month has been triggered partly by the general raising of international tension caused by the Falklands Islands crisis.

The world has however steered its way through a succession of political flashpoints during the past year—over Namibia, Libya, Poland, Iraq—without producing a corresponding recovery in bullion.

A more persuasive reason for the rise this month therefore is provided by the enormous amount of recent physical buying sparked off in the traditional hoarding centres of the Far East and Middle East by the pronounced fall in the price.

Heavy selling of stocks from these areas in 1980 helped provoke a price slump which took many investors in the West by surprise.

The stage may be set for a price rebound spurred by the reversal of these flows. In recent weeks demand for small gold bars and jewellery in key gold centres like Kuwait and Hong Kong has been booming.

This is normally a harbinger of stronger demand on western markets too. Additionally, Japan, a relative newcomer to the gold scene, is still providing a strong source of demand following the start this month of over-the-counter gold trading by Japanese banks. Total imports of gold into Japan last year soared to 167 tonnes after only around 30 tonnes in 1980, and purchases have continued strong this year too.

Imports in March look likely to have been about a record of 50 tonnes.

A further reason for the recent price rise—which some dealers feel is a more potent reason than the upsurge in tension over the Falklands—has been the scale of Iranian military successes over the Iraqis. This has made some Middle East investors wary of further Iranian advances in the Gulf—and so triggered off demand for gold.

Reluctance

South Africa and the Soviet Union seem also lately to have slackened the volume of fresh supplies coming to the wholesale bullion market. South Africa, in particular, was aided by a record month for Kruggerand sales in March.

There are several reasons why the big two, in common with many other producers, have not been particularly innovative in using the futures markets.

Mining companies or government sales agencies do not normally like the complications involved in margin business on the futures markets. Additionally, there is sometimes the feeling that if producers sell forward at a pre-set price, this might transmit to the markets a certain pessimism about near-term price movements.

Some producers do arrange to sell output forward at a certain price agreed on a future date. But this arrangement is normally carried out on a private basis with, say, the mining company's house bank, rather than openly on a futures market.

Mining companies say they would dearly like to sell forward for seven or eight years on occasion, in order to fix a price for the output of a mine for which the financing is just now being arranged. But the

facilities for such long-term deals do not exist.

The South African Reserve Bank has given permission for mining companies to use the futures markets on a small scale—up to 10 per cent of their production. But last year only two mines—Hartbeespoort (part of the Anglovaal group) and Marikana (part of the Gemcor group) were known to have used futures.

The Russians occasionally use the futures markets in New York. The Soviets also sell gold forward sometimes to banks in Switzerland as part of normal marketing procedures. A key constraint on Moscow's use of New York, however, is believed to be the Russians' fear that gold stocks held for settlement purposes with U.S. banks could be frozen in the event of a major super-power confrontation.

Another prime influence is security. Last year the Soviet Union started to bring gold in to London by Aeroflot from Moscow, the first direct shipments for several years. Earlier in the 1970s the Russians had been disturbed by the lack of thorough security precautions at Heathrow airport. But these worries seem meanwhile to have faded compared with their overriding need to sell more gold on a greater spread of markets.

One reason why both big producers favour London increasingly as a sales point—either through direct shipments or by assigning gold stocks held in Switzerland—is the importance of the twice daily fixing session in the City. Particularly during times of price volatility, producers prefer to be able to deal at a fixed published price—facility not available in Switzerland.

David Marsh

Gold's changing monetary role

GOLD IS now a long way from its former pivotal position in the monetary system. Hopes among some of the more muddle-headed bullion buffs that President Reagan would indulge his whim for putting the U.S. and the rest of the world back on to a 19th century gold standard were, of course, always illusory. But they were finally buried at the end of last month when the U.S. Gold Commission in its final report to the Treasury turned down any such idea.

Its only positive recommendation was the somewhat lame proposition that the U.S. should follow a range of other countries from Mexico to the Soviet Union and start minting gold coins.

None the less, gold obviously still makes up an important part of overall world reserves, even at a price of only 40 per cent of the 1980 peak. During the prolonged rise of the gold price during the 1970s from the under-valued official price of \$35 per ounce, countries often paid scant attention to the financing possibilities granted by the increasing value of their bullion holdings.

During the past two or three years, however, as more and more official institutions have taken an interest in the metal, the debate on the use of gold as an instrument to plug balance of payments gaps has become much more open.

As Dr Jelle Zijlstra, former president of the Bank for International Settlements and of the Dutch central bank, put it in his valedictory address to an audience of central bankers and government officials in Washington last autumn: "At least gold is no longer a dirty word."

In his lecture, Dr Zijlstra—for long a "closest" supporter of a more formal monetary role for gold—came out into the

open by suggesting concerted central bank intervention on the gold market in order to "regulate" the price. This would, he said, "create conditions permitting gold sales and purchases between central banks as an instrument for a more rational management and deployment of their reserves."

Such a plan, for the moment, looks to have little chance of being put into action. This is despite Dr Zijlstra's replacement at the top of the BIS by Dr Fritz Leutwiler of the Swiss National Bank. Dr Leutwiler has over the years made no secret of his advocacy of central bank intervention on the gold market, and is likely to lobby more vigorously than his predecessor that his ideas should be put into effect.

Financing tool

Despite the lack of formalised progress on restoring a more explicit monetary role for gold, there are several ways in which central banks actively make use of gold as a financing tool.

● Direct sales: Canada was the only Group of Ten country to have the courage of its convictions that the gold price was too high in 1980 and actually start a programme of sales from reserves.

More recently however several countries have been forced to sell some of their gold holdings to withstand balance of payments difficulties. Among the members of the Organisation for Petroleum Exporting Countries (Opec) which accumulated gold in 1979 and 1980, Iran and Iraq are both believed to have sold gold this year. The Philippines has also had to follow this course. Sales from Opec, at a time when the price was under pressure anyway from continued offloading from the Soviet Union, con-

tributed to the metal's plunge in the first few months of 1982.

● Collateral dealing: A number of central banks and monetary institutions try to make profits on top of their normal reserve operations by dealing in gold. They include central banks from the East bloc—Hungary, Czechoslovakia and the Soviet Union itself all have active gold-dealing departments in their state banks—as well as the Bank of England.

The Monetary Authority of Singapore is also well known—some dealers would say notorious—for its aggressive bullion dealing.

● Reserve-building: A number of countries are still making steady additions to bullion reserves in the hope that this will prove over the long run to be a wise policy. Mainly, these are nations with domestic production, part of which is diverted to reserves, such as Brazil, Colombia and Zimbabwe. Among Opec members, Indonesia was seriously embarrassed by its ill-timed incursion into the gold market in 1980 and 1981—when it committed well over \$1bn to buying gold—and has stayed out of the market since the second half of last year.

Ironically, purchases by the private sector in Indonesia—which was a heavy seller while the central bank was buying in 1980—have been one of the factors behind the recent price sales strategies of the Jakarta rise. If the Indonesian central bank wants to continue to play the bullion game, it could do worse than simply follow the merchants.

Libya—another oil state which decided to divert some of its spare foreign exchange resources into gold—also continues to build up holdings, acquiring stocks mainly through Frankfurt.

● Collateral loans: South Africa has always been the main exponent of collateralising its gold reserves by raising loans through gold "swaps". More than 3m ounces of Pretoria's gold reserves seem to have been pledged in return for loans since last autumn.

The Soviet Union and a number of other countries including Iran, Hungary, Portugal and Indonesia appear to have made soundings about raising gold "swap" credits from western banks during the last few months, but very few deals have been struck so far.

● European Monetary System: Central banks in the EMS gave themselves a painless way of converting gold into usable credit when the scheme was set up three years ago. They invented a mechanism under which European Currency Units are created against the deposit of 20 per cent of member banks' gold reserves with the European Monetary Co-operation Fund.

The falling gold price has slashed dramatically the number of soundings about using gold "banks' reserves. But at around \$280n now, against a peak of \$500n in 1980, the amount of Ecu created against gold still represents a powerful force in world liquidity.

D. M.

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Wider trading opportunities

CONTINUED FROM PAGE 1

The clearing house will also be in a position to adjust these deposits to "cool" the market down when a dangerous position threatens. With this backing, there should be no doubts about the financial security of the market for even the biggest users.

In theory, the futures contract can be used to hedge the value of gold coin stocks, by industrial consumers of gold, ranging from dentists to jewellers, and by the gold mining companies anxious to fix a price for their production.

But, in reality, the main support is likely to come from speculators, who will now have a much more open marketplace on which to trade, putting up a margin normally of around 10 per cent of the total commitment.

The UK decision to impose valued added tax on gold coins

should give a fillip to futures trading. Although prices are depressed at present, the success of the gas oil futures contract during the past year proves that falling prices need not deter trading interests.

It is, after all, as easy to "sell" futures, in anticipation of lower prices, as to buy in hopes of a rise.

Since the "floor" member companies put up \$55,000 for their seats, and there are some disappointed applicants, who have had to be content with associate membership, it can be assumed that considerable efforts will be made to make the market a success.

Given the continued uncertainty in the world, and the traditional fascination of gold as a symbol of security, the market looks to be a winner, in spite of its difficult birth.

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DEFAULTED RAILWAY BONDS

Bonds away, with interest, in Latin America . . .

By Duncan Campbell-Smith

AN ENGLISHMAN, an American and a Canadian travelled at short notice to the capital of Peru two weeks ago at the invitation of the Peruvian Government.

Their mission was a curious one: to negotiate with the Government in Lima a \$25m settlement for the holders of two defaulted international bonds, issued early this century to help pay for Peru's railway system and a fleet of five steamers on Lake Titicaca.

The invitation arrived in March. It followed months of cordial negotiation between the Peruvian Government and the other parties to the dispute. It seemed to promise an end to 10 years of wrangling by all concerned—including a bevy of bankers, brokers, bureaucrats and ambassadors.

The three travellers represented the trustee of the bonds and an intermediary agent. They set down to a long-awaited meeting in the Ministry of Justice—only to find that their hosts after all had nothing of any substance to impart.

The meeting day was April 5, three days after the invasion of the Falkland Islands, and their journey had been in vain.

Back in London, the Trustee—the Law Debenture Corporation—cannot with any certainty blame its disappointment on the crisis in the South Atlantic.

But the directors of the Corporation—a London public company which offers its services as an intermediary between a borrower and its lenders to help simplify the legalities of a bond or loan—certainly fear that future attempts to reclaim sums owing on defaulted bonds in Latin America could now face serious complications.

It can be an esoteric business, chasing the minutiae of the obligations on a bond, perhaps years after its quotation in the market place has given up the ghost. And the amounts of money involved, ravaged by inflation, usually seem relatively insignificant by today's standards.

Nevertheless, the work is undertaken seriously enough and it does turn up substantial amounts of money from time to time. The Law Debenture Corporation this month had hoped would be the case in Peru.

The Corporation has been left wondering whether it is now faced with a repetition of another disappointment associated ironically with Britain's last major foreign crisis: the invasion of the Suez Canal zone in 1956, which stirred talks about the outstanding bonds of another railway company.

The railways in question this time were built with largely British funds for narrow gauge steam engines in the Nile delta. The Egyptian Delta Light Railway Company was founded in London in 1897, and it issued

an undated 5 per cent debenture in 1901.

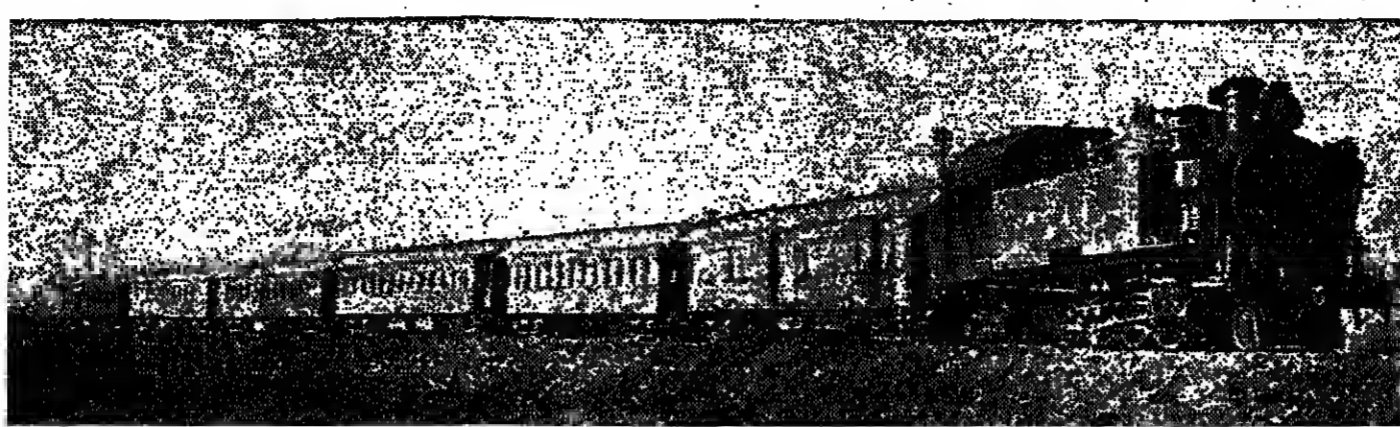
When the colonels deposed King Farouk in 1952, the new government seized the company's property and assets.

It is true that by then the company's assets had become pretty run down. Some 977 kilometres of track depended on rusty stock and broken down stations.

Nevertheless, the company carried no fewer than 22.5m passengers in 1950-51.

No compensation was offered. Legal action was taken against the Egyptian government. It meandered through the courts, Egyptian style. Then came Suez.

The legal complications of the case are endless while the



Chile's Antofagasta line in 1930 . . . still a direct descendant of Britain's pre-1914 railway investments in Latin America

capital at stake is really not significant: the nominal value of the bonds—of which Prudential Assurance has confirmed that it still holds £50,000 worth—is only £465,600.

The point, however, is that after 1956 it was virtually impossible to make any progress with the claims of the bondholders, though these were even advanced by one or two Egyptian institutions which held part of the outstanding stock.

Even 15 years after Suez, the political climate still prompted caution. Mr Hugh Osborne, the managing director of The Law Debenture Corporation, was told by the Foreign Office in 1971 that it had "only recently

reached a settlement with the UAR on the question of compensation for nationalised property in Egypt."

Three court defeats have not subdued the remaining British bondholders in the years since 1971. Now Mr Osborne is off to Cairo in two weeks' time with warnings that a bondholders' meeting may shortly be convened.

War with Argentina could now prompt another protracted saga over the Peruvian claim, which is remarkably similar though more serious in view of the larger sums involved.

To the cognoscenti of such largely forgotten aspects of international capitalism, however, the most remarkable thing of

all is that Britain—notwithstanding the Peruvian claim—should now have so little to lose in this sector of relations with Latin America.

For only a few years ago, the continent was still strewn with largely defunct railway companies saddled with London bond obligations—the legacy of millions invested by the City in Latin America in the great pre-1914 boom decades of railway construction.

Not the least of these were three bonds issued in 1908, 1909 and 1910 by the Anglo-Argentinian Tramways Company to finance a passenger transport system for Buenos Aires. Incorporated in 1887, Anglo-Argentinian ran into unending

financial problems after its assets were effectively nationalised in the 1930s.

The company's bondholders received in January last year the last instalment of £11m paid as compensation by the Argentine government under a scheme arranged in 1967.

Six rail and tramways companies in Brazil settled their debts in one £5.5m legal action in 1976. The Salvador Railway Company repaid an old bond in 1977. Ecuador's Guayaquil and Quito Railway Company has been ready since 1978 to repay at £631.05 per bond its 5 per cent 1929 First Mortgage Bonds.

Holders of a Paraguay Central Railway company bond dated March 1908 took final payment last year of compensation agreed with Paraguay in 1962.

Perhaps most remarkable of all, the government of Chile announced through N. M. Rothschild last December that over 1982 it would repay no fewer than 12 sterling bonds issued between 1885 and 1928.

Easily the most important of these belongs to the Chilean Longitudinal Railway (Southern Section). They were issued in 1911, went into default on at least two occasions and were reconstituted in 1948.

As the paying agent, J. Henry Schroder Wagg took receipt of £1.3m from Chile in December. If you own any of the bonds, you can collect on them after July 1, 1982.

All of which leaves just three items outstanding. Honduras still owes on four Railway Bonds issued in 1867-70. But these must be for the birds, or at least those gentlemen of the City seeking decoration for their walls.

Secondly, the Costa Rica Railway Company is still claiming compensation for all its Costa Rican assets, which were nationalised in 1972.

Finally, there is one success story: the Antofagasta (Chile) and Bolivia Railway Company. True, it has been 78 per cent controlled by a Chilean company since 1978. But it retains a head office off Finsbury Circus—a wood-panelled hallway and a cramped staircase beside the lift-well giving just the hint of a pre-war ambience—and it has three quoted London securities and a British board of directors.

Last year, it made pre-tax profits of £3.8m. This seems a healthy augury for the run-up to the company's centenary in 1988. It is proposed in May to pay the first dividend on ordinary stock since 1970.

Mr Philip Adcane is executive director of the Antofagasta company. He also happens to be both managing director of the Costa Rica Railway Company and a dispossessed creditor of the Peruvian railway bonds under the trusteeship of Mr Osborne and his colleagues. You can't win them all.

U.S. \$60,000,000



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(Incorporated in the United Mexican States)

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In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 19th April, 1982 to 19th July, 1982 the Notes will carry an interest rate of 16 1/2% per annum and the Coupon Amount per U.S. \$10,000 will be U.S. \$413.92.

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IRELAND

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Notice is hereby given to the holders of the above Notes that with effect from 9th March, 1982, European American Bank and Trust Company, 10 Hanover Square, New York NY10005 U.S.A. has been appointed to act as Paying Agent in New York in place of The Sumitomo Bank, Limited, One World Trade Center, Suite 9651, New York.

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April 20, 1982
By: Citibank, N.A., London, Issue Agent

CITIBANK

US\$40,000,000 — SERIES 03



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Notice is hereby given that the above Series of Notes issued under a Note Purchase Facility Agreement dated October 20, 1981, carry an interest rate of 15 1/2% per annum. The Maturity Date of the above Series of Notes will be July 6, 1982.

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Ratti silk fabrics being displayed in the 18th century Casa Bianca, Como. Ratti S.p.A. is a Cariplo customer.

In 1981 exports of silk were worth about US \$200 million to Italy. Almost all of it was woven and printed in Lombardy.

These are some of the hard facts behind a luxury industry whose success has helped make Lombardy the most prosperous region in Italy, producing 21% of the country's Gross National Product.

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CARIPLO

CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE

The Lombard Bank

Abitibi Price sees declining profits

By Robert Gibbons in Montreal

ABITIBI-PRICE, Canada's largest newsprint producer, says the world market for newsprint have weakened significantly and lumber and building products continue depressed because of the long recession. As a result the company overall expects declining profits throughout 1982.

In the first quarter, earnings were C\$22m (U.S.\$30m), or 94 cents a share, against C\$25.1m, or C\$1.33 a share, on sales of C\$414m against C\$410m.

Abitibi, which is owned by Olympia and York Developments, the Toronto real estate and resources group, warns that a serious supply-demand imbalance is building up in the North American newsprint market, and increasing competition will make it difficult for producers to retain their margins.

Abitibi has become the target for possible strike action by the Canadian paper workers' union. The union has demanded increases of 15 and 18 per cent in a new two-year contract from the eastern Canada pulp and paper industry.

In preliminary negotiations Abitibi offered a total of about 16 per cent over two years, which was rejected by the union. The union is now preparing to take notes at individual Abitibi mills.

The Council of Forest Industries of British Columbia says that if the depression in the western forest product industry continues through summer, the result will be more layoffs and more companies could go bankrupt.

If it were not for the "accommodating attitude of the banks" many companies would already have had to throw in the towel. Mr Donald Lanskil, president of COFI, says. The main problems have come on the lumber side of the industry. About 50 per cent of western lumber moves to the U.S. construction market, and U.S. housing starts are running at post-war lows.

British Columbia lumber exports to the U.S. totalled 5,268m board feet in 1981, and are expected to be down sharply this year.

First quarter loss brings spending cut at Goodrich

BY OUR FINANCIAL STAFF

AN OPERATING loss of \$13.4m, or \$1.18 a share, in the first quarter at B. F. Goodrich, the tyre company which now takes 40 per cent of its profits from chemicals, has brought a reduction of \$40m in 1982 spending plans, Mr John D. Ong, the chairman, told the annual meeting in New York yesterday.

In the first quarter of last year, Goodrich, the third largest of the U.S. tyre manufacturers, turned in an operating profit of \$9.9m or 45 cents a share.

An operating loss had been predicted for the opening quarter of this year but no

figure had been specified. The directors of Goodrich commented yesterday that the first quarter loss took in an \$8m charge on the fall in the Mexican peso.

Sales for the quarter dipped to \$728.6m from \$780.4m in the comparable period. The 1981 total excludes a gain of \$13m, or \$1.04 a share, from the exchange of equity for debt.

Mr Ong said: "While we see some signs of improvement in the second quarter, it is difficult to determine how much is due to traditional seasonal up-

turns and how much to fundamental economic recovery." First quarter operating losses were about the same as losses in the fourth quarter, he added, and again resulted from weak customer demand in the automotive, construction, aircraft and other major company markets.

For the whole of the current fiscal year, an upturn in profits has been predicted, with the major boost coming from a recovery in demand and pricing for polyvinyl chloride, of which Goodrich is the largest producer in the U.S.

Good start to year at Philip Morris

By Our Financial Staff

PHILIP MORRIS, number two in the U.S. cigarette manufacturing league, exceeded forecast growth rates in the first quarter of the year—but implementation of FASB 52 on foreign currency had a significant effect.

Earnings gained 23 per cent to \$167.3m or \$1.34 a share in the opening quarter, from \$136.4m or \$1.09 a share in the same period last year.

For the full fiscal 1981 year, Philip Morris, which now takes about a quarter of its profits from overseas and a further 8 per cent from its highly successful Miller Brewing subsidiary, earned a record \$572m from sales of \$7.3bn.

For this year, Wall Street predicts a gain of about 15 to 20 per cent in earnings. The quarterly dividend was increased by 20 per cent to 60 cents a share in February this year.

Increased sales volume has been forecast for this year, both in the group's domestic market where its Marlboro, Benson and Hedges and other brands drive to a market share of about 32 per cent and also overseas.

Another growth division is Miller Brewing which has around one-fifth of the national market via its Lowenbraun and Miller High Life brands. Easier margins are expected for the group's bottled water manufacturer, yesterday settled a nine-year-old anti-trust suit with Kodak agreeing to pay GAF \$9.5m in cash.

At the same time, Kodak agreed to dismiss a pending patent suit against GAF which it had filed in 1977. The same year GAF decided to withdraw from the photographic market.

GAF originally filed its anti-trust suit against Kodak in April 1973, charging Kodak with monopolizing the market and of anti-competitive practices. The suit was due to come to trial next month.

The anti-trust suit was in turn related to a subsequent patent infringement case filed by Kodak against GAF in 1977. This case was due to be heard after resolution of the anti-trust suit.

The settlement reflects the decision of both companies not to prolong further expensive litigation. The settlement not only gives GAF an injection of \$9.5m as a reserve it had set aside as a reserve for the Kodak patents suit.

BankAmerica unit drops lending to Japanese consumers

BY RICHARD C. HANSON IN TOKYO

BA FINANCE, a Japanese subsidiary of BankAmerica Corporation, has become the second U.S. company to pull out quietly of the business of lending directly to Japanese consumers.

Corporate Finance, a unit of the bank, has been forced to close its doors because of the local government's decision to restrict the flow of growing competition and low profitability.

BA Finance, however, is not abandoning business in Japan. It has decided to shift to more promising lines of business, such as leasing and the financing of corporate receivables.

Consumer financing made up about one-third of its \$18m portfolio before a gradual phasing out was begun. One of BA's four Tokyo branches has already been closed.

BankAmerica entered the Japanese consumer finance field in March, 1980, along with what was to become another dozen other foreign hopefuls.

couraged by the authorities. At the same time, the local consumer finance industry (or *saradai* in Japanese) was attempting to shake off a reputation for scurrilous behaviour.

Foreign companies were allowed by the Finance Ministry to enter the market on the understanding that they would charge less than the local industry, where rates could legally exceed 100 per cent per annum. There has been a considerable drop in local rates since then.

Some of the foreign companies, however, have found the market less fertile than they had expected. Most of the growth in consumer loans has been at the bottom end of the scale. Foreigners have tended to shy away from this riskier type of lending.

BA Finance represents about 3 per cent of all BankAmerica assets in Japan.

Setback at Swedish building group

By William Dullforce in Stockholm

ABV, the Swedish construction group, reports a SKR 3.3m decline in earnings to SKR 8.8m (\$14m) for 1981 despite increasing sales to just over SKR 6bn.

However, the pre-tax profit was SKR 2.4m higher than forecast in the nine-month period and the board proposes to raise the shareholders' dividend to SKR 7.50 a share compared with SKR 6.18 (adjusted for a new share issue in 1980).

Profits were badly hit by a SKR 57.6m pre-tax loss on 18.8m, a relatively small company making prefabricated wooden houses. The unit is now being re-organised and its operations adjusted to the sharply reduced demand for prefabricated housing.

The group net profit is given as SKR 37.6m against SKR 37m

Braniff hurt by Pan Am hitch

BY RICHARD LAMBERT, FINANCIAL EDITOR

BRANIFF International, the financially strained Dallas-based airline, was disappointed and somewhat surprised by the decision of the Civil Aeronautics Board to delay the transfer of its South American routes to Pan American, Mr Howard Putnam, Braniff's chief executive, said yesterday.

The opportunities for restructuring the airline's finances would be much better if the South American issue could be resolved he added.

Under the proposed deal, Pan American would have operated the routes for the next four years, in return for paying Braniff \$20m in the short term and another \$10m in 1983. But the CAB rejected a request to give prompt approval to the agreement, which it described as complex and contested. In

stead, it has decided to delay a formal decision until July, thus giving other airlines a chance to bid for the routes. Braniff lost around \$15m on its South American routes in 1981, and its experience has been deteriorating this year. Traffic on these routes was down by about a fifth in March as passengers switched to other airlines.

Mr Putnam said: "This issue has to be resolved before July, and I think it will be. The Pan Am deal was still the preferred choice, but Braniff had already asked its bankers, Lazard Freres, to make contact with other possible partners."

"We're going to press for something to happen this week, if we can," he commented. Mr Putnam said that it might make sense for Eastern Airlines,

which had already filed proposals to take over certain routes, to consider some agreement with Braniff. But he described the offer from American Airlines, which also operates out of Dallas, to help subsidise Braniff on its loss-making routes as a "cleverly designed transport sham."

American's objective was "to see Braniff pass from the scene as fast as possible so that they can raise fares," he alleged.

At the end of last month, Braniff presented its 38 major creditors with proposals for restructuring its \$733m of outstanding debt. This was part of a plan agreed in January whereby debt repayments were deferred until October 1.

In its last balance sheet, Braniff had a deficiency on shareholders' funds of \$87m.

Kodak settles anti-trust suit by GAF

By Paul Betts in New York

EASTMAN KODAK, the photography group, and GAF, the troubled New York-based chemicals and building materials manufacturer, yesterday settled a nine-year-old anti-trust suit with Kodak agreeing to pay GAF \$9.5m in cash.

At the same time, Kodak agreed to dismiss a pending patent suit against GAF which it had filed in 1977. The same year GAF decided to withdraw from the photographic market.

GAF originally filed its anti-trust suit against Kodak in April 1973, charging Kodak with monopolizing the market and of anti-competitive practices. The suit was due to come to trial next month.

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The settlement reflects the decision of both companies not to prolong further expensive litigation. The settlement not only gives GAF an injection of \$9.5m as a reserve it had set aside as a reserve for the Kodak patents suit.

ConAgra to merge with Peavey

BY OUR FINANCIAL STAFF

CONAGRA, the Omaha-based group primarily engaged in basic food production, and Peavey Company, a Minneapolis food processor, grain merchant and specialty retailer, have signed a definitive merger agreement which will be effected by ConAgra offering cash or shares for Peavey common stock.

Terms, which place a value of some \$170m on Peavey, are \$30 cash or a package of Con-

agra common and convertible stock with a market value of about \$80, for each Peavey common share. Not more than 30 per cent of Peavey common shares will be acquired for cash and not more than 70 per cent for ConAgra securities.

The companies said the transaction is intended to permit Peavey holders to obtain tax-free treatment if they opt for ConAgra securities. Earnings of the Omaha-based

group were equivalent to \$2.21 a share for fiscal 1980-81, against \$1.55 a share previously on sales of \$1.38bn, or \$43m. For the first half of the current year, earnings improved to \$1.29 a share from \$1.21 a share and sales to \$965m from \$815m.

Peavey's earnings for fiscal 1980-81 totalled \$23.4m or \$4.18 a share, up from \$22.6m or \$4.02 a share previously, on sales of \$820.9m against \$734.9m.

Apple Computer in split with distributor

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER has terminated its distribution agreement with Computerland—a nationwide chain of computer retail stores in the U.S. that has become Apple's biggest sales outlet. According to Mr A. C. Markkula, Apple's president, the central buying agreement with Computerland was not renewed because Computerland insisted on giving all of its present and future outlets the right to sell Apple products.

Apple wanted to restrict the sale of its products in locations that were close to other Apple dealers. This may reflect pressure from major department stores such as Sears.

Roebuck, which is currently expanding sales of personal computers and related equipment, as well as from independent dealers.

The move is also seen as an effort on the part of Apple to avoid price cutting on its products arising from competition between dealers. Despite strong competition from new entrants into the personal computer market, Apple has maintained a policy of not discounting prices.

Apple has a history of stormy relationship with its dealers, both in the U.S. and Europe. Last year, Apple "disfranchised" a mail order computer sales company which had been

selling its products at cut prices. Apple maintains that it was restricting the sale of its computers to "full service" stores which offer customers the support of computer instruction and repairs, but the mail order dealer called it a price fixing campaign and took legal action against the company.

Apple now says that it will deal with Computerland stores on an individual basis. Most of the nationwide chain of Computerland retailers are franchised by Computerland to use its name and central buying facilities.

Apple's dissatisfaction with

Computerland may also have stemmed from the fact that Computerland now sells machines produced by many of its competitors including Xerox, IBM, Hewlett-Packard and Fortune Systems. While Computerland stores were, until a year ago, "Apple Stores," today the Apple machines are often relegated to a corner display while the IBM personal computer gets pride of place in the front of the store.

Despite this, Apple machines are still best sellers in many Computerland stores, and most of the franchise dealers are expected to work out a purchase contract with Apple.

NORTH AMERICAN QUARTERLY RESULTS

ALLIED CORPORATION	1982	1981
First quarter	\$1.15m	\$1.58m
Revenue	63.0m	284.0m
Net profit	1.35	2.32

ANDAMAR CORPORATION	1982	1981
First quarter	108.7m	95.5m
Revenue	2.5m	5.7m
Net profit	0.12	0.28

AMERICAN HOSPITAL SUPPLY	1982	1981
First quarter	752.1m	672.1m
Revenue	41.5m	35.0m
Net profit	0.87	0.74

AMSTAR CORPORATION	1982	1981
First quarter	1.9m	1.5m
Revenue	38.7m	62.8m
Net profit	4.19	5.89

BANDAG	1982	1981
First quarter	68.3m	68.7m
Revenue	6.23m	6.46m
Net profit	0.51	0.53

BANK OF NEW YORK	1982	1981
First quarter	16.3m	10.5m
Revenue	2.31	1.62

BLACK & DECKER MFG.	1982	1981
First quarter	342.9m	375.5m
Revenue	7.65m	6.53m
Net profit	0.30	0.34

BRITISH COLUMBIA FOREST PRODS.	1982	1981
First quarter	188.5m	204.2m
Revenue	27.1m	22.3m
Net profit	10.16	0.38

BUCCYUS-ERIE	1982	1981
First quarter	187.6m	183.0m
Revenue	27.1m	22.3m
Net profit	0.37	0.42

BURROUGHS CORPORATION	1982	1981
First quarter	890.1m	726.5m
Revenue	1.05	0.54

CAMERON IRON WORKS	1982	1981
First quarter	288.2m	250.1m
Revenue	41.9m	29.8m
Net profit	1.39	0.98

CENTRAL & S.W. WEST CORP.	1982	1981
First quarter	460.7m	417.1m
Revenue	12.7m	7.7m
Net profit	4.13	2.25

CONSOLIDATED OIL & GAS	1982	1981
First quarter	11.9m	11.5m
Revenue	12.7m	11.5m
Net profit	10.22	0.17

CONTINENTAL TELEPHONE	1982	1981
First quarter	430.3m	358.3m
Revenue	35.1m	31.1m
Net profit	0.55	0.52

CONTROL DATA	1982	1981
First quarter	79.7m	72.3m
Revenue	7.9m	4.2m
Net profit	1.01	1.06

CPC INTERNATIONAL	1982	1981
First quarter	1.01m	1.07m
Revenue	41.14m	38.8m
Net profit	0.85	0.91

CROWN ZELLERBACH	1982	1981
First quarter	705.4m	787.1m
Revenue	0.86	0.92

FEDERAL PAPER BOARD	1982	1981
First quarter	122.0m	114.0m
Revenue	5.38m	4.9m
Net profit	0.89	0.84

FIRST CHICAGO CORP.	1982	1981
First quarter	122.0m	114.0m
Revenue	5.38m	4.9m
Net profit	0.89	0.84

FIRST NATIONAL BOSTON	1982	1981
First quarter	35.17m	28.06m
Revenue	1.37	1.49

FOREMOST CORPORATION	1982	1981
First quarter	533.7m	588.2m
Revenue	32.5m	40.7m
Net profit	1.09	1.29

GILLETTE	1982	1981
First quarter	533.7m	588.2m
Revenue	32.5m	40.7m
Net profit	1.09	1.29

GREAT NORTHERN NEKOOSA	1982	1981
First quarter	387.9m	395.1m
Revenue	137.0m	140.3m
Net profit	1.38	1.32

GULF RESOURCES & CHEMICAL	1982	1981
First quarter	30.7m	30.8m
Revenue	20.12m	17.5m
Net profit	0.81	0.71

HEILEMAN BREWING	1982	1981
First quarter	311.2m	195.8m
Revenue	7.24m	3.46m
Net profit	0.99	0.49

MERCEDES	1982	1981
First quarter	640.0m	668.0m
Revenue	21.0m	42.9m
Net profit	0.50	0.57

HOUSTON INDUSTRIES	1982	1981
First quarter	784.5m	608.4m
Revenue	49.58m	33.36m
Net profit	0.67	0.51

JOY MANUFACTURING	1982	1981
First quarter	3.27m	2.52m
Revenue	232.55m	188.19m
Net profit	3.28	3.05

KAISER CEMENT	1982	1981
First quarter	25.7m	26.0m
Revenue	2.5m	20.9m
Net profit	1.29	1.07

KIMBERLY-CLARK	1982	1981
First quarter	44.4m	53.5m
Revenue	5.51m	3.09m
Net profit	0.78	0.44

KOPPERS	1982	1981
First quarter	353.3m	425.9m
Revenue	110.67m	10.78m
Net profit	13.48	10.20

LENOX INC.	1982	1981
First quarter	58.2m	54.8m
Revenue	107.8m	111.7m
Net profit	0.47	0.48

M. LOWENSTEIN CORP.	1982	1981
First quarter	222.5m	221.4m
Revenue	137.0m	140.3m
Net profit	1.38	1.32

Net per share	1.30	1.32
McGRAW HILL		
	1982	1981
First quarter	\$	\$
Revenue	261.2m	235.9m
Net profits	20.12m	17.58m
Net per share	0.31	0.31

Norsk Data lifts dividend as profits rise sharply

By William Dullforce in Stockholm

NORSK DATA, the fast growing Norwegian computer manufacturer, raised pre-tax profit by 58 per cent to Nkr 40.7m (\$6.7m) in 1981 with sales climbing by 54 per cent to Nkr 481m. A dividend of Nkr 2 a share is to be paid, compared with Nkr 1.41 in the previous year after adjusting for share splits and new issues.

Over the past nine years Norsk Data has averaged sales growth of 46 per cent a year, with earnings recording a compound annual growth of 55 per cent. During the same period net assets have increased from Nkr 3m to Nkr 144m.

In July last year the company obtained a London listing and, following a placement of 50,000 shares with Swedish

investors, it will shortly apply for a listing on the Stockholm Stock Exchange.

Exports represented 47 per cent of turnover in 1981 and export orders made up 52 per cent of the annual order intake.

Norsk Data reshaped its organisation during the year in line with its plans for growth in the major European markets. Senior personnel are being moved to London this year to provide a base for this growth.

Norsk Data raised its profit margin from 8.2 to 8.4 per cent last year and achieved an increase of more than 4 per cent to 15.6 per cent on the return on total capital.

The net return on equity at 31.2 per cent was lower, but the annual report points out that

this was still a higher return than that achieved by any of the five U.S. companies it considers to be its main competitors in the field of medium-sized computers.

The board expects that greatly improved profitability in its foreign operations will enable Norsk Data to maintain its overall profit growth during the next few years despite an expected slowdown in sales growth.

During the first quarter of 1982, the parent company effected two capital increases—a subscription of 50,000 shares at Nkr 55 each by company employees and a direct placement of 250,000 new shares at Nkr 340 each through London brokers.

Dutch insurer raises payment

By Our Financial Staff

ENNIA, the big Dutch insurance group, reports increased profits for 1981 and says that earnings should continue to expand during the current 12 months.

Net 1981 profits are F1 10.18m (\$38m) compared with F1 8.84m, a rise of 15 per cent. Total revenues are 8 per cent higher at F1 2.7bn, and Ennia expects revenues in 1982 to top F1 3bn.

The dividend is going up to F1 9.60 a share with a final payment of F1 5.35, which can be taken as one new share. For 1980 shareholders received a dividend of F1 8.75.

Profit is struck after a F1 10m transfer to disaster reserves plus provisions for bad debts of F1 21.4m and a profit of F1 6m on the sale of assets. Bad debt provisions and asset sales totalled F1 24.4m and F1 11.7m in 1980.

Last year Ennia raised F1 280m through private loans and Sfr 100m through private subordinated Euro-

notes.

Multi-Purpose launches two new units

By Wong Sulong in Kuala Lumpur

MULTI-PURPOSE Holdings, the Malaysian-Chinese conglomerate, has set up two companies, taking the group into commodity trading and shipping.

Last December, MPH executives came to Europe to discuss the purchase of ships to start the shipping line. MPH is indirectly controlled by the Malaysian Chinese Association, the Chinese partner in the Government. Apart from plantations, MPH is involved in banking, finance, property, trading and manufacturing.

Despite difficult conditions overseas, and the slowdown in the local economy, Bata Malaysia has reported a good set of results, with pre-tax profit for 1981 rising by 35 per cent to 11.1m ringgit (US\$4.7m).

Turnover was up 10 per cent to 36m ringgit, but exports overseas declined for the second successive year by 6 per cent to 8.5m ringgit.

Bata said domestic sales were helped by the acquisition of depots and outlets in East Malaysia (purchased from Bata Singapore), but sales in the end-of-the-year peak season did not reach expectations.

Saba back in the black

By Our Nordic Editor in Stockholm

J. S. SABA, the Swedish retail and wholesale trading group, turned a 1980 pre-tax loss of SKr 111m into a profit of SKr 28m (\$4.7m) last year.

Property sales gave a net extraordinary income of SKr 322m, allowing the group to show profits of SKr 351m before appropriations and tax against a loss of SKr 112m in the previous year.

The board proposes to reduce the shareholders' dividend for the first time since 1977 by paying SKr 6 on each ordinary share and SKr 7 on each preference share for a total payment of SKr 15m.

The Axel Johnson group and the Salen shipping group are the main shareholders in Saba.

After adjusting for the closure of some sales outlets, the SKr 8.3bn turnover in group retail business represents a decline of 1 per cent in volume. Swedish retail trading as a whole fell by 2 per cent last year.

Saba's retail stores cut their pre-tax losses from SKr 184m to SKr 61m last year, partly by reducing staff. The bulk of group earnings continued to be generated by the wholesale units, Dagab and Saba Trading.

A further decline in Swedish retail business is forecast for 1982 but Saba has budgeted for improvements in both sales and earnings. The outcome in the first quarter was better than allowed for in the budget, the management states, but warns that final results for the year will depend heavily on the December sales.

Boost for W. R. Grace

By Our Financial Staff

W. R. GRACE, the U.S. specialty and agricultural chemicals group in which the West German Flick Group has a near 26 per cent stake, reports first-quarter net profits of \$144.16m or \$2.99 a share, compared with \$83.57m or \$1.74 a share for the first three months of 1981.

The latest figure, however, includes a gain of \$65.1m or \$1.35 a share arising from the exchange of the group's 84 per cent holding in Chemed, a specialty chemical company, for shares in a new Chemed company.



N.V. PHILIPS' GLOEILAMPENFABRIEKEN

(Philips Industries)

Eindhoven, The Netherlands

The Board of Management hereby gives notice to the shareholders of the Company that the

ORDINARY GENERAL MEETING

will be held on Thursday, May 13, 1982, at 2.30 P.M. in the "Philips' Jubileumhal", in Eindhoven, entrance: Methildelaan/Frederiklaan.

Shareholders of N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Gloeilampenfabrieken (Philips Lampe Holding) are entitled to attend this meeting.

AGENDA

1. Opening.
2. Report of the Board of Management for the financial year 1981.
3. Report of the Supervisory Board of the financial statements for 1981.
4. Adoption of the financial statements and declaration of a dividend of f1.60 on the ordinary shares. Of this dividend an interim cash dividend of f0.60 has already been paid.
5. Proposal of the Board of Management — which proposal has been approved by the Supervisory Board — to make a distribution out of retained profit of f0.20 per ordinary share.
6. Announcement of the Supervisory Board that at the General Meeting of Shareholders on 13 May 1982 three vacancies will arise on the Supervisory Board owing to the retirement by rotation of Mr. J. W. de Pous, Mr. A. Coppé and Mr. D. Noordhoff, all of whom, being eligible, offer themselves for re-election. The Supervisory Board hereby gives notice that, provided the General Meeting recommends no other persons to fill the said vacancies, it intends to propose the re-election of Mr. J. W. de Pous, Mr. A. Coppé and Mr. D. Noordhoff to the Supervisory Board. The General Meeting is entitled to lodge objection to the proposed appointments. Further particulars relating to the above-mentioned persons are available for inspection at the office of the Company.
7. Any other business.
8. Conclusion.

Shareholders of N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Gloeilampenfabrieken who wish to attend this meeting must comply with the instructions described in the simultaneously published notice convening the Ordinary General Meeting of N.V. Gemeenschappelijk Bezit van Aandeelen-Philips' Gloeilampenfabrieken.

Eindhoven, April 20, 1982.

PHILIPS



N.V. GEMEENSCHAPPELIJK BEZIT VAN AANDEELEN PHILIPS' GLOEILAMPENFABRIEKEN

(Philips' Lampe Holding)

Eindhoven, The Netherlands

The Board of Governors hereby gives notice to the shareholders of the Company that the

ORDINARY GENERAL MEETING

will be held on Thursday, May 13, 1982, at the "Philips' Jubileumhal", in Eindhoven, to be held following the meeting of shareholders of N.V. Philips' Gloeilampenfabrieken (Philips' Industries).

AGENDA

1. Opening.
2. Report of the Board of Governors for the financial year 1981.
3. Adoption of the financial statements and declaration of a dividend of f1.60 on the ordinary shares. An interim cash dividend of f0.60 has already been paid.
4. Proposal of the Board of Governors — which proposal has been approved by the Meeting of Priority Shareholders and is made in connection with the corresponding proposal that will be made at the Ordinary General Meeting of Shareholders of N.V. Philips' Gloeilampenfabrieken — to make a distribution of f0.20 per ordinary share.
5. Proposal to appoint a member of the Board of Governors to fill the vacancy arising from the retirement by rotation of Mr. H. A. C. van Riemsdijk who, being eligible, offers himself for re-election. The nomination put forward by the Meeting of Priority Shareholders are:
 1. Mr. H. A. C. van Riemsdijk
 2. Mr. C. J. van der Klugt.
6. Any other business.
7. Conclusion.

Shareholders who (in person or by proxy) wish to attend and address the meeting and to vote thereat, are requested to notify the Company not later than May 4, 1982. The following regulations apply.

A. Holders of share-certificates to bearer should deposit such certificates not later than May 4, 1982, at one of the following banks in exchange for a receipt which will entitle the holder to admission to the meeting.

In the Netherlands: the Amsterdam-Rotterdam Bank N.V. in Amsterdam, Herengracht 595, or at the office of the Company in Eindhoven, Pieter Zeemanstraat 8.

In the United Kingdom: at Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX.

In other countries: at the banks designated for such purpose. Further particulars can be obtained from Hill Samuel & Co. Limited, London.

B. Holders of Registered shares must notify the Company not later than May 4, 1982, in the way indicated in the letter of convocation sent to them by the Company.

Holders of Common shares of New York Registry wishing to attend the meeting and to exercise thereat the aforesaid rights either in person or by proxy, should make written application to the Company not later than May 4, 1982, by depositing a completed application in prescribed form at the office of Bankers Trust Company, Reorganization Department, 67 Broad Street, 14th floor, New York, N.Y. 1004.

The Philips' Annual Report 1981 containing among other information the financial statements, the auditor's certificate and the Report of the Board of Governors for the fiscal year 1981 is deposited for inspection at the Company and at the above-mentioned banks and is mailed to holders of Registered shares. Copies of this report are available (free of charge) upon request at the Company's office (Financial Department Documents, P.O. Box 218, 5600 MD Eindhoven) and at the aforementioned banks.

Eindhoven, April 20, 1982.

PHILIPS

Strong advance at Merlin Gerin

By David White in Paris

MERLIN GERIN, the Grenoble-based electrical engineering unit which is one of the few thriving outposts of the Empain-Schneider empire, exceeded its profit target for last year by registering consolidated net earnings of Ffr 81m (\$12.8m), a third more than in 1980, and forecast a figure of Ffr 100m for 1982.

Turnover was 26 per cent up last year at Ffr 3.9bn. The company said the growth was largely the result of its inter-

national activities, which made up 43 per cent of the total and which is planned to contribute more than half from next year.

Merlin Gerin is in the process of raising Ffr 15m through the creation of 260,455 new shares, priced at Ffr 440 for each Ffr 100 nominal share.

At parent company level, Merlin Gerin said it expected net profit to increase from Ffr 51m last year to Ffr 70m this year, and promised to raise

dividends for the year by a higher percentage than the annual inflation rate.

M. Jean Vialary, the chairman, said the group planned investments of Ffr 856m between this year and 1984 and was seeking substantial productivity gains in order to maintain competitiveness despite the fact that French inflation was higher than that of its main partners. The workforce is expected to increase by about 1,000 during the year to 15,200.

Rinascente goes into fast foods

By James Buxton in Rome

RINASCENTE, the Italian company which runs a chain of department stores, increased profits by almost three-quarters last year to L28bn (\$20m). Sales were up 20 per cent to L1,356bn.

The result shows the extent of the recovery the company has made in the past few years. It returned to profits in 1979, thanks in part to the application of vigorous management methods after incurring losses from 1975 onwards.

Rinascente has decided to diversify by launching a chain

of hamburger restaurants. The development is significant partly because of what it says about the more aggressive and trendy image Rinascente apparently wants to project, and partly because the hamburger and fast food restaurants on American lines are almost unknown in Italy—the land of the small restaurant serving fresh, natural food.

Rinascente will develop its hamburger restaurants under a franchise agreement with the Belgian group Grand Bazar Innovation.

The profit figure was arrived at after allowing L14bn for depreciation and L6bn for other provisions. The group has reduced its debt and has continued to build up its portfolio in property which is valued at L1,24bn.

Control of the group passed last year to two prominent Milanese property magnates, Sig. Giuseppe Cabassi and Sig. Guido Terruzzi, when the Agnelli family, which controlled Fiat along with Mediobanca, the merchant bank, sold their stakes.

Japanese to study offshore financial centres

By Richard C. Hanson in Tokyo

A PRIVATELY sponsored group of Japanese banks and securities houses, including a representative from the Bank of Japan, will carry out a three-week study tour of international offshore financial centres starting next week.

Debate over whether Japan should allow an offshore centre of its own has intensified over the past year or so. The authorities remain cautious in general about allowing anything which might upset local market conditions. But the Finance Ministry has been studying the idea seriously for some time.

The overseas mission will be led by Mr. Takashi Hosomi, a pro-offshore market former senior Finance Ministry official now in charge of the Overseas Economic Cooperation Fund. The group is affiliated to a financial magazine.

The quasi-private Study Group on International Finance, an advisory body to the Ministry of International Finance Bureau, is conducting its own separate studies.

Sun Life pulls out of Malta

By Geoffrey Grima in Valetta

SUN LIFE Assurance of Canada is to suspend operations in Malta because of the recently enacted insurance laws which, it says, "effectively prevent the company from transacting new business on the island."

The Insurance Business Act, approved by Parliament last year, empowers the Minister of Finance to control certain types of investments worldwide. It also requires insurance companies to deposit part of each insurer's assets with the central bank.

Spanish expansion boosts earnings at Lesieur

By Our Paris Staff

LESIEUR, the French food group which has built up a powerful stake in the Spanish edible oils business, recorded a 19 per cent increase in consolidated profits for last year on sales which climbed by 41 per cent to Ffr 5,980m (\$950m).

Consolidated net earnings rose to Ffr 123m from Ffr 104m. The company, in which the biggest shareholder is the state-owned BNP banking group, proposes a 15 per cent increase in its net dividend to Ffr 34.50 per share. New shares counting for dividend from July 1981 will receive

half this sum. An advance of Ffr 16.50 per share was already paid out in February.

Net operating profits for the year were 25 per cent up at Ffr 130m, and cash flow was 40 per cent up at Ffr 271m.

The growth partly reflects the reinforcement of Lesieur's Spanish interests through a merger involving the largest local company in the field, Koipe. As a result, Lesieur is the principal shareholder in a group including Salgado, which it bought into in 1979.

Enoxy agrees ISR deal

By Carla Rapoport

OCCIDENTAL Petroleum's talks on the purchase of International Synthetic Rubber (ISR), a UK company owned by a consortium of international tyre manufacturers, are being carried out by Occidental's associate, Enoxy Chemical.

Enoxy, which is a joint venture between the U.S.-oil group and ENI, the Italian state energy agency, has agreed in principle to buy ISR but the deal has not been signed.

Dunlop Holdings, the UK-based tyre, engineering and

consumer products group, holds the controlling interest in ISR, which it says has been incurring losses for the last few years.

Other major shareholders in ISR include Firestone Tyre, the U.S. group, Goodyear Tyre and Rubber (UK), Michelin Tyre, the French manufacturer, and Avon Rubber of the UK.

Set up in 1956, ISR had net assets in 1979 of about £18m. The largest producer of synthetic rubber in Britain, the group exports about a third of its output overseas.

Setback at Danish cement group

By Hilary Barnes in Copenhagen

SMIDTJE, the Danish cement group, reports lower profits for 1981 but is maintaining its dividend at 12 per cent.

Hampered by losses and write-offs on foreign operations, profits before tax slipped to DKr 269m (\$33m) from DKr 292m, a decline of almost 5 per cent.

The group wrote off a DKr 120m loss sustained on the con-

struction of a phosphate plant in Iraq against parent company capital and reserves. At the same time a loss, the size of which was not specified on construction of a cement mill in Mexico, was taken against the profit and loss account.

Despite tougher competition arising from overcapacity in the world cement industry, the group said orders in 1981 were "quite good".

The group did not publish a sales figure for its 74 subsidiaries in cement and manufacturing in Denmark and abroad. In 1980 group sales exceeded DKr 6bn.

Gross operating profit last year was slightly down, from DKr 1,590m to DKr 1,540m, but earnings from interest and dividends increased from DKr 231m to DKr 293m.

THE PHILIPPINE INVESTMENT COMPANY S.A.

Net Asset Value as of March 31, 1982: U.S.\$6.25

Listed Luxembourg Stock Exchange
Agent:
Banque Générale de Luxembourg
Investment Bankers:
Mandis Pacific Securities, SA

April 20, 1982
Oesterreichische Kontrollbank Aktiengesellschaft
US\$100,000,000
Guaranteed Floating Rate Deposit Notes 1986

Guaranteed by the Republic of Austria

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from April 21, 1982 to October 21, 1982 the Notes will carry an interest rate of 15 1/8% per annum. On October 21, 1982 interest of US\$364,427.11 will be due per US\$500,000 Note against Coupon No. 2.

Agent Bank
ORION ROYAL BANK LIMITED

Trade Development Bank Holding S.A. Luxembourg

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Trade Development Bank Holding S.A. (TDB Holding) will be held at the registered office of the Company, 34, Avenue de la Porte-Neuve, Luxembourg at 2.30 p.m. on 11th May, 1982 for the purpose of considering and voting on the following matters:

1. Approval of the Chairman's Statement, the Statutory Auditors' report and the unconsolidated financial statements of the Company for the year ended 31st December, 1981.
2. Discharge of the Directors and of the Statutory Auditors concerning their duties relative to the year ended 31st December, 1981.
3. Appropriation of US\$ 1,580,000 to the legal reserve, distribution of a dividend of US\$ 1.40 per share and the carrying forward of the balance of the profit.
4. Election of the Board of Directors and of the Statutory Auditors for 1982. All the Directors are eligible and stand for re-election.
5. Approval of the consolidated financial statements of the Company for the year ended 31st December, 1981.

By Order of the Board,
Edmond J. Safra,
Chairman

NOTES:

Subject to the relevant resolution being approved, the dividend will be payable on 1st June, 1982: (i) in respect of registered shares to shareholders on the register as at 1st May, 1982 and (ii) in respect of bearer shares against surrender of Coupon No. 10 to any of the Paying Agents listed below.

Any shareholder whose shares are in bearer form and who wishes to attend the Annual General Meeting in person must produce a depositary receipt or present his share certificates to gain admission. If he wishes to be represented at the meeting, he must lodge a proxy duly completed together with a depositary receipt at the registered office of TDB Holding at 34, Avenue de la Porte-Neuve, Luxembourg, not later than 10th May, 1982 at 5.00 p.m. The shareholder may obtain the depositary receipt and, if required, the form of proxy from any of the banks listed below by lodging his share certificates at their office or by arranging for the bank by whom his certificates are held to notify any of the banks listed below that the shares are so held.

Any shareholder whose shares are registered will receive a notice of the Annual General Meeting at his address on the register together with a form of proxy for use at the meeting. The proxy should be lodged at TDB Holding's office in accordance with the above instructions.

The remittance of the form of proxy will not preclude a shareholder from attending in person and voting at the meeting if he so desires. The resolutions may be passed by a simple majority provided that no single shareholder or proxy may cast votes in respect of more than one-fifth of the issued capital or more than two-fifths of all shares represented in person or by proxy at the meeting.

Copies of this notice and of the Annual Report including the financial statements of TDB Holding for the year ended 31st December, 1981, may be obtained at its registered office, and from any of the banks at the following addresses:

- *Manufacturers Hanover Limited, 8 Princes Street, London EC2P 2EN.
- *Banque Internationale à Luxembourg S.A., 2, Boulevard Royal, Luxembourg.
- *Manufacturers Hanover Bank Belgium, 13, Rue de Liège, 1000 Brussels.
- *Manufacturers Hanover Banque Nordique, 20, Rue de la Ville-Etienne, 75008 Paris.
- *Manufacturers Hanover Trust Company, 40 Wall Street, New York, N.Y. 10015.
- *Manufacturers Hanover Trust Company, Bockenheimer Landstr. 51/53, Frankfurt.
- *Republic National Bank of New York, 452 Fifth Avenue, New York, N.Y. 10018.
- *Trade Development Bank, 25, Corso S. Gottardo, 6800 Chiasso, I.
- *Trade Development Bank, 21, Aldermanbury, London EC2P 2BY.
- *Trade Development Bank (France) S.A., 20, Place Vendôme, 75001 Paris.
- *Trade Development Bank (Luxembourg) S.A., 34, Avenue de la Porte-Neuve, Luxembourg.
- *Trade Development Bank, 2, Place du Lac, 1204 Geneva.

*Paying Agent of TDB Holding.

This announcement appears as a matter of record only



**THE MORTGAGE BANK
AND FINANCIAL ADMINISTRATION AGENCY
OF THE KINGDOM OF DENMARK**
(Kongeriget Danmarks Hypotekbank og Finansforvaltning)

Dfls 100,000,000
11½% Bearer Bonds 1982 due 1988/1992 Series LXXII

guaranteed by
The Kingdom of Denmark

Amsterdam-Rotterdam Bank N.V.
Algemene Bank Nederland N.V. **Pierson, Heldring & Pierson N.V.**
Bank Mees & Hope NV **Nederlandsche Middenstandsbank N.V.**
Rabobank Nederland

Kredietbank S.A. Luxembourg
The Nikko Securities Co., (Europe) Ltd.
Union Bank of Switzerland (Securities) Limited
S.G. Warburg & Co. Ltd.

Westdeutsche Landesbank Girozentrale
Copenhagen Handelsbank A/S
Den Danske Bank af 1871 Aktieselskab
Privatbanken A/S
R. Henriques jr.

April 15, 1982

Companies
and Markets

INTL. COMPANIES & FINANCE

Richard Lambert on RCA's efforts to sell its car rental offshoot

Hertz in search of a new roof

FOR SALE: An internationally known brand name. Has a two-fifths share of its market in the U.S. and is world leader in a business which will show double-digit growth rates for several years. Self-financing, and rated a high grade borrower in its own right, it could shelter up to \$50m of its new parent's after-tax profits.

That is the sign RCA Corporation, the troubled electronics and communications conglomerate, has hung over its Hertz rental subsidiary. It may be forgiven a touch of hype. RCA needs all the money it can get—and the recent profit record of Hertz is not exactly inspiring.

A period of strong growth came to an abrupt end after 1978, when profits hit a peak of \$154m pre-tax. Since then, they have skidded down, with 1981 bringing a collapse from \$127m to just \$36m.

Mr Frank Olson, chairman and chief executive of Hertz, thinks the company has now been turned. Hertz's car rental business in the U.S. is growing by about a fifth this year, and last week's first-quarter profits would have been a record but for a \$7m exchange loss resulting from the devaluation of the Mexican peso. Overall profits this year will recover to more than \$100m pre-tax, he says.

Profits setback

One reason for last year's profits setback was a \$50m write-down on the truck rental business in the U.S. which has now been restructured by means of a joint venture which will enable Hertz to withdraw its \$250m investment over the next five years.

But the key questions for potential buyers are about the core of the business—the car rental side, which accounts for around 70 per cent of the \$1.4bn of annual revenues. Has it, as some suggest, moved into a mature phase when hot competition and sluggish growth will eat into margins?

Mr Olson says not. He cites three major factors for the downturn since 1978. Hertz is the world's largest seller of second-hand cars. It owns 120,000 cars outright in the U.S. alone, and keeps them on average for around 13 months. In normal times, around a tenth of its profit comes from resale.

But the surge in oil prices after the Iranian revolution caught the company with 35,000 V8 engines in the U.S. And suddenly nobody wanted to buy gas guzzlers.

Then came the rise in interest rates compounded by the motor manufacturers, which used to lease the company up to 30 per cent of its requirements at peak periods, pulling out of leasing altogether and forcing Hertz to buy cars outright. Finance costs more than quadrupled over a five-year period, and now represent about a fifth of average rental transactions.

However, the market has cooled down since last summer, and rates have picked up by as much as a half at the most competitive end of the busi-

ness. Mr Olson expects car rental companies to increase their share of available airport traffic, and fly/drive holidays also generate future growth. Meanwhile the international business—roughly a quarter of car rental revenues—has been making higher profits.

HERTZ PRE-TAX PROFITS

	\$m
1973	47
1974	54
1975	63
1976	93
1977	131
1978	154
1979	147
1980	127
1981	36

believe we will see double-digit growth rates for the next several years," he says.

That view is a great deal more cheerful than can be heard elsewhere in the car rental business. Yet Hertz does seem to be attracting buyers. So far, Firestone Tire is the only potential bidder to have thrown its hat publicly into the ring. For some time,

the number two U.S. tyre maker has been keen to diversify, and in some respects Hertz is an ideal candidate. Together with its lessees, it owns some 350,000 cars around the world, and must wield considerable power when specifying original equipment on its vehicles.

But there must be some doubt about whether Firestone can pay RCA's price. Hertz has a net asset value close to \$400m, and RCA is certainly hoping to raise a lot more than that from the sale. Firestone is currently valued on the stock market at well under \$600m.

Moreover Firestone is not profitable enough at present to take advantage of the fact that Hertz generates a lot more investment allowances than it can use in its own business. A business with profits to shelter could afford to pay more.

There should be no worries about the financial needs of the company, once it is bought. It is already a free-standing business in financial terms, which means that its debts are not guaranteed by RCA. Indeed its credit rating—single A—is considerably better than its parent's. Its debt to equity ratio may look high, with something like \$1.4bn of loans outstanding, but it turns over its car rental assets just about every year, which strictly limits the risks to the lender. Last year apart, it has usually paid out



Mr. Frank Olson

about half its earnings as a dividend to RCA.

"Hertz is a very attractive business for anyone who pays tax," claims Mr Olson. "Apart from a bidder like Firestone, he thinks that it might make sense for a hotel chain—our customers are the same—except for an airline, if only any of them had some money."

It is an uncertain time for a company once owned by General Motors, and which is now on the block again as a result of its parent's wish to concentrate on its mainstream businesses. But the betting is that sometime in the next couple of months, Hertz will find itself under a new roof.



International Energy Bank Limited

Winchester House 100 Old Broad Street London EC2M 1BE
Tel: 01-638 3588 Telex: 8811511

Abstract from the Audited Accounts for the year ended 31st December 1981

	1981	1980
Profits		
Operating profit	£900	£900
Taxation	3,083	3,842
Profit after taxation	210	1,392
Dividend Proposed/Paid	2,873	2,450
	500	400
Balance Sheet		
Shareholders' Funds		
Authorised—200,000 shares of £100 each	20,000	20,000
Issued—200,000 shares of £100 each		
£75 paid (1980 £50 paid)	15,000	10,000
Reserves	8,890	6,517
	23,890	16,517
	534	1,640
Deferred Taxation		
Current Liabilities		
Current and deposit accounts	313,385	263,026
Corporation tax	1,511	1,876
Creditors and accruals	12,038	7,603
	351,358	290,662
Current Assets		
Cash, balances at bankers, money at call and short notice	62,598	50,239
Loans and advances		
not exceeding one year	124,456	107,905
Debtors and prepayments	10,818	6,778
	197,872	164,922
Term Assets		
Loans maturing after 31st December 1982	142,556	121,471
Assets leased to clients	8,538	4,101
Investments	1,926	1
Fixed Assets	466	167
	351,358	290,662

Shareholders

Bank of Scotland
Banque Worms
Barclays Bank International Limited
Canadian Imperial Bank of Commerce

Republic Bank Dallas NA
(through its subsidiary)
Société Financière
Européenne—(SFE)

All of these Securities have been offered outside the United States.
This announcement appears as a matter of record only.

New Issue / April 2, 1982

U.S. \$175,000,000

Gulf Oil Finance N.V.

14¼% Three-Year Extendible Guaranteed Notes
Due April 1, 1994

Unconditionally Guaranteed as to Payment of
Principal and Interest by

Gulf Oil Corporation

Salomon Brothers International

Credit Suisse First Boston Limited

Merrill Lynch International & Co.

Amro International Limited

Banque Bruxelles Lambert S.A.

Banque de Paris et des Pays-Bas

Commerzbank Aktiengesellschaft

Deutsche Bank Aktiengesellschaft

Swiss Bank Corporation International

Union Bank of Switzerland (Securities)
Limited

US \$40,000,000

Nordic International Finance B.V.

(incorporated with limited liability in The Netherlands)

Guaranteed Floating Rate Notes 1991
Guaranteed on a subordinated basis by

Nordic Bank PLC

(incorporated with limited liability in England)



Noteholders are advised that copies of the report and accounts of the company and of Nordic Bank are available at the offices of Nordic Bank, Nordic Bank House, 20 St. Dunstan's Hill, London EC3R 8HY 20th April 1982

CNT

Caisse Nationale des Télécommunications

U.S.\$100,000,000
Floating Rate Notes due 1986

For the six months
16th April 1982 to 18th October 1982
the Notes will carry an
interest rate of 15¼% per annum,
with a coupon amount of US\$80.62.
Interest payable on 18th October 1982.
Bankers Trust Company, London

BASE LENDING RATES

A.B.N. Bank	13%	Robert Fraser	14%
Allied Irish Bank	13%	Grindlays Bank	13%
American Express Bk.	13%	Guinness Mahon	13%
Amro Bank	13%	Hambros Bank	13%
Henry Ansbacher	13%	Heritable & Gen. Trust	13%
Arbutnot Latham	13%	Hill Samuel	13%
Associates Cap. Corp.	13%	C. Hoare & Co.	13%
Banco de Bilbao	13%	Hongkong & Shanghai	13%
BCCI	13%	Kingsnorth Trust Ltd.	14%
Bank Hapoalim BM	13%	Knowlesley & Co. Ltd.	13%
Bank Leumi (UK) plc	13%	Lloyds Bank	13%
Bank of Cyprus	13%	Mallinham Limited	13%
Bank Street Sec. Ltd.	14%	Edward Manson & Co.	14%
Bank of N.S.W.	13%	Midland Bank	13%
Banque Belge Ltd.	13%	Samuel Montagu	13%
Banque du Rhone et de	13%	Morgan Grenfell	13%
la Tamise S.A.	13%	National Westminster	13%
Barclays Bank	13%	Norwich General Trust	13%
Benevolent Trust Ltd.	14%	P. S. Refson & Co.	13%
Bremar Holdings Ltd.	14%	Roxburgh Guarantee	13%
Brit. Bank of Mid. East	13%	E. S. Schwab	13%
Brown Shipley	13%	Slavenburg's Bank	13%
Canada Permut Trust	13%	Standard Chartered	13%
Castle Court Trust Ltd.	13%	Trade Dev. Bank	13%
Cavendish G'ly Tst Ltd.	13%	Trustee Savings Bank	13%
Cayzer Ltd.	13%	TCB Ltd.	13%
Cedar Holdings	13%	United Bank of Kuwait	13%
Charterhouse Japhet	13%	Whiteaway Laidlaw	13%
Choulatons	13%	Williams & Glyn's	13%
Citibank Savings	13%	Wintour Secs. Ltd.	13%
Clydesdale Bank	13%	Yorkshire Bank	13%
C. E. Coates	14%	Members of the Accepting Houses Committee:	
Consolidated Credits	13%	7-day deposits 10%, 1-month	
Co-operative Bank	13%	10.25% Short term £3,000/12	
Corinthian Secs.	13%	month 12.5%	
The Cyprus Popular Bk.	13%	7-day deposits on sums of: over	
Duncan Lawrie	13%	£10,000 10¼%, £10,000 up to	
Eagil Trust	13%	£50,000 11%, £50,000 and over	
E.T. Trust	13%	11¼%	
Exeter Trust Ltd.	14%	Call deposits £1,000 and over	
First Nat. Fin. Corp.	13%	10%	
First Nat. Secs. Ltd.	13%	21-day deposits over £1,000 11¼%	
		Demand deposits 10¼%	
		Mortgage base rate.	

NOTICE

REPUBLIC OF PANAMA

US \$30,000,000

9½ NOTES DUE 1983

NOTICE OF ELECTION TO EXTEND MATURITY

In accordance with the provisions of the Notes, a reminder is given that holders of these Notes may elect to extend the maturity of their Notes to 15th March, 1985.

Such right may be exercised during the period 15th March, 1982, to 15th September, 1982, by surrender of the Note(s) duly completed and presented at the office of the Fiscal Agent.

**MERRILL LYNCH
INTERNATIONAL BANK
LIMITED**

Fiscal Agent
LONDON.

IRELAND

U.S.\$100,000,000
Floating Rate Notes due
October, 1989

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next Interest Period has been fixed at 15½ per cent per annum. The Coupon Amounts will be U.S.\$400.31 for the U.S.\$50,000 denomination and U.S.\$200.1563 for the U.S.\$25,000 denomination and will be payable on 21st October, 1982, against surrender of Coupon No. 2.
Manufacturers Hanover Limited
Agent Bank

This announcement appears as a matter of record only.



البنك العربي الآسيوي
Arab Asian Bank e.c.
US \$20,000,000

Floating Rate Certificates of Deposit

Due April, 1985

European Banking Company Limited

The Arab Investment Company S.A.A.

Caisse Nationale de Crédit Agricole

Europartners Bank (Nederland) N.V.

Kredietbank International Group

LTCB International Limited

Agent Bank

European Banking Company Limited

April, 1982

Markets respond sharply to a revival of Falklands peace hopes in late dealings—Share index up 7.4

Account Dealing Dates
Option
First Declara- Last Account
Dealing Dealing Day
Mar 29 Apr 15 Apr 16 Apr 26
Apr 19 Apr 28 Apr 29 Apr 29
Apr 30 May 13 May 14 May 24
New share dealings may take place from 9.30 am two business days earlier.

Stock markets responded sharply in the late trade on reports of a new Falklands peace plan put forward by Argentina. The apparent stalemate in the weekend negotiations to resolve the crisis left markets in a continuing state of uncertainty as the new trading account got underway.

There was no follow-through to last Friday's late show of optimism at the start of dealing and leading shares were generally lower by a few pence. The absence of selling, however, saw a gradual improvement from the lower levels with the time taking a distinct turn for the better in the late dealing when reports of the plan reached the market.

The late change in sentiment was well illustrated by the FT 30-share index, which had reduced a loss of 4.7 at the 10 am calculation to one of only 0.7 and then moved ahead quite sharply to close 7.4 up on the day at 585.1. Trade remained at an extremely low ebb, the day's price movements usually reflecting changes in sentiment. Elsewhere, equities had little in the way of trading statements

to enliven the day's proceedings. Most secondary issues rarely strayed far from Friday's closing levels, but bid announcements led to firm features in Lonsdale Universal and Speedwell Gear Case.

Gilt-edged securities also mirrored the after-hours revival. Long-dated stocks opened around last Friday's closing levels and drifted off a fraction before recovering to show scattered gains of 1 at 3.30 pm. The improvement continued well into the late dealings as the market digested the turn of events in the Falklands situation and the general market mood, and sometimes more. The Government securities index picked up 0.56 to 67.06.

Grindlays wanted
A resurgence of speculative buying on revived bid rumours helped Grindlays to rise 12 to 178p and feature the banking demand on a speculative nature was also seen in Royal Bank of Scotland, which closed 6 better at 104p. Continuing concern about the group's eubankit Argentinean assets saw Lloyds ease to 406p before rallying to end 4 up on balance at 417p on late reports of progress in the Falkland Islands peace talks. Other major clearers finished similarly with NatWest finishing 4 better at 410p, after 400p, and Midland 4 harder at 312p, after 304p. Barclays rose a couple of pence to 442p, after 434p.

The general picture among Wines and Spirits was distorted by a batch of dividend adjustments, but Tomlin stood out with a gain of 4 to 47p following the support of a few "cheap" buyers.

Inclined easier initially, leading buildings took a distinct turn for the better in late dealings and Blue Circle closed 4 net 4 dearer at 458p, after 450p. RMC, preliminary results tomorrow, finished 3 up on

added a penny to 55p following the disposal of two loss-making subsidiaries and a sale-and-leaseback deal in Cardiff. Support was also forthcoming for Sellicore which were briskly-traded up to 121p. Leading Electricals ended the first day of the new Account strongly, recovering from early nervousness to close with gains ranging to 12. GFC, down to 800p at one stage, ended 12 to the good at 817p, while Rael

Bacon, preliminary results tomorrow, were adjusted 4 lower to 52p.

Drill of late on rights issue rumours. Grand Metropolitan eased to 200p before late support left the close a net 4 up at 205p.

Lonsdale Universal up
Lonsdale Universal, high-tech industrial, jumping 24 to 66p following a dawn raid and subsequent 68p per share cash offer from John Mewley; the latter closed a penny dearer at 235p. Down 35 last week on adverse comment 5 Chase Tunnel rebounded 53 to 148p on speculative buying in a restricted market. A dull market of late on the hoardroom slake-out and profits warning. Salbys rallied 15 to 300p, while Smiths Industries hardened a few pence to 345p awaiting today's interim figures. EIS put on a couple of pence to 155p on the news and St George's Group firmed 3 to 119p following renewed demand in a market none-to-well supplied with stock. Hanson Trust, on the other hand, lost 2 more to 141p, while the 61 per cent convertible 1983-85 dropped 14 points to 152 in reaction to adverse comment.

The leaders rallied strongly after a dull start on reports of a Falkland Islands peace compromise. Glavo ended 11 better at 603p and Beecham 8 up at 232p.

Motor Components were nervous awaiting annual results from Dunlop on Thursday. Dunlop, held Friday's closing level of 71p, but today eased 5 pence to 66p. In contrast, revived speculative activity lifted Flight Refuelling 10 to 253p. Movements of note among Distributors were usually attributable to company trading statements. The 1981-82 rose 1 to 1982 high of 117p following the increased annual profits and dividend, while Tate of Leeds advanced a similar amount to 83p in response to the 36 per cent jump in full-year profits.

Newspapers generally closed with mixed results. Under current talks with parent S. Pearson could result in an offer worth around 360p per share left Pearson Longman 3 up at 1982 peak of 335p. S. Pearson added a couple of pence to 241p, International News rose 6 to 275p following the results.

Properties participated in the late improvement. Land Securities closing a net 6 up at 234p and MEPC a net 3 dearer at 200p. Great Portland Estates put on 5 to 170p, while renewed speculative support lifted Capital and Centuria 8 to 130p. Miscellaneous Exchanges improved 4 to 388p and Peasey a couple of pence to 137p ex Dares Estates added 2 to 22p on the good annual results and property earnings recovery, recently firm Darn Development Corporation met profit-taking and shed 40 to 140p.

BP up late
Quietly firm during the House session, Oils moved sharply higher in the late dealings.

British Petroleum were prominent and settled a net 14 up at 300p, while Shell put on 5 to 338p. Burmah met renewed support and gained 5 to 140p, while Ultramar rose 12 to 242p and Lascamo 8 to 320p. Crisafina firmed 7 to 190p. The Humble Petrochemicals displayed contrasting movements: Candaria put on 6 to 191p, but Carless Capel, a gold market on Friday, met profit-taking and softened a couple of pence to 176p. Elsewhere, Club Natural Resources attracted revived speculative demand and jumped 105 to 510p. Hopes that the latest initiative may resolve the Falklands crisis prompted late support of Shell, which jumped 15 to 410p. Other Tobaccos firmed 10 sympathetically with lmps closing 21 dearer at 95p.

Gold weak
Renewed weakness in the bullion price, which gave up \$74.80 midday to \$74.80 an ounce and a counter-rumour concerning the Falkland Islands, led to further losses in mining markets.

Recent selling of South African Gold gathered momentum as share prices, initially steady, were marked down to the face of persistent small selling. Thereafter, the market continued to drift prior to weakening sharply after the official close.

Closing losses were often substantial and the Gold Mines index dropped 10 points to 355.5. The 1981-82 rose 1 to 1982 high of 117p following the increased annual profits and dividend, while Tate of Leeds advanced a similar amount to 83p in response to the 36 per cent jump in full-year profits.

FINANCIAL TIMES STOCK INDICES									
	April 19	April 16	April 15	April 14	April 13	April 12	April 11	April 10	April 9
Government Secs.	67.06	66.50	66.50	66.50	66.50	66.50	66.50	66.50	66.50
Fixed Interest	67.06	66.50	66.50	66.50	66.50	66.50	66.50	66.50	66.50
Industrial Ord.	585.1	580.7	580.7	580.7	580.7	580.7	580.7	580.7	580.7
Gold Mines	585.1	580.7	580.7	580.7	580.7	580.7	580.7	580.7	580.7
Ord. Div. Yield	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80
Earnings, Yld. (%)	11.21	11.39	11.48	11.28	11.35	11.19	11.19	11.19	11.19
P/E Ratio (net)	11.19	11.02	10.90	11.09	11.03	11.19	11.03	11.19	11.03
Total Bargains	13,979	10,804	13,910	14,005	15,559	16,062	21,400		
Equity turnover (£m)	113.90	119.17	84.02	85.03	84.89	158.14			
Equity bargains	19,487	11,018	9,821	10,430	11,419	17,053			

HIGHS AND LOWS									
	High	Low	High	Low	High	Low	High	Low	High
Govt. Secs.	67.06	66.50	66.50	66.50	66.50	66.50	66.50	66.50	66.50
Fixed Int.	67.06	66.50	66.50	66.50	66.50	66.50	66.50	66.50	66.50
Ind. Ord.	585.1	580.7	580.7	580.7	580.7	580.7	580.7	580.7	580.7
Gold Mines	585.1	580.7	580.7	580.7	580.7	580.7	580.7	580.7	580.7

S.E. ACTIVITY									
	High	Low	High	Low	High	Low	High	Low	High
Govt. Secs.	67.06	66.50	66.50	66.50	66.50	66.50	66.50	66.50	66.50
Fixed Int.	67.06	66.50	66.50	66.50	66.50	66.50	66.50	66.50	66.50
Ind. Ord.	585.1	580.7	580.7	580.7	580.7	580.7	580.7	580.7	580.7
Gold Mines	585.1	580.7	580.7	580.7	580.7	580.7	580.7	580.7	580.7

WORLD VALUE OF THE POUND

PLACE AND LOCAL UNIT	VALUE OF £ STERLING
Afghanistan (Afghani)	55.00
Albania (Dinar)	10.10
Algeria (Dinar)	7.3500
Andorra (French Franc)	11.10
Angola (Kwanza)	(Gm) 25.935
Antigua (C. Caribbean \$)	10.15
Argentina (A. Peso)	20,504.0 (B)
Australia (A. Dollar)	1.6820
Austria (Schilling)	20.75
Azores (Portuguese Escudo)	1.7650
Bahamas (Bah. Dollar)	0.855
Bahrain (Dinar)	1.9750
Barbados (Barb. Dollar)	1.9750
Belgium (Belg. Franc)	3.3590
Belize (Belize Dollar)	1.9750
Benin (C.F.A. Franc)	1.9750
Bermuda (Berm. Dollar)	1.9750
Bhutan (Indian Rupee)	16.51
Bolivia (Bolivian Peso)	(Pm) 77.10
Botswana (Pula)	1.6600
Brazil (Cruzado)	588.00
Brunei (Brunei Dollar)	1.7650
Bulgaria (Bulg. Lev)	1.7650
Burkina Faso (C.F.A. Franc)	1.9750
Burundi (Burundi Franc)	1.9750
Cameroon (C.F.A. Franc)	1.9750
Canada (Canadian Dollar)	1.9750
Cape Verde (Cape Verde Escudo)	1.9750
Cayman Islands (Cay. Dollar)	1.9750
Central African Rep. (C.F.A. Franc)	1.9750
Chad (C.F.A. Franc)	1.9750
Chile (Chilean Peso)	1.9750
China (Yuan)	1.9750
Colombia (Col. Peso)	1.9750
Comoros (Com. Franc)	1.9750
Congo (Congo Franc)	1.9750
Costa Rica (Costa Rican Colon)	1.9750
Cuba (Cuban Peso)	1.9750
Cyprus (Cypriot £)	1.9750
Czechoslovakia (Koruna)	1.9750
Danish Kroner	1.9750
Dominican Rep. (Dominican Peso)	1.9750
Ecuador (Sucre)	1.9750
El Salvador (El Salvador Colon)	1.9750
Equatorial Guinea (Equatorial Guinea Franc)	1.9750
Ethiopia (Ethiopian Birr)	1.9750
Falkland Islands (Falkland Islands Pound)	1.9750
Faroe Islands (Faroese Krona)	1.9750
Finland (Finn. Markka)	1.9750
France (French Franc)	1.9750
French Guiana (C.F.A. Franc)	1.9750
French Polynesia (C.F.P. Franc)	1.9750
Gabon (C.F.A. Franc)	1.9750
Gambia (Gambian Dollar)	1.9750
Germany (West) (Deutsch Mark)	1.9750
Ghana (Ghana Cedi)	1.9750
Gibraltar (Gibraltar Pound)	1.9750
Greece (Drachma)	1.9750

NEW HIGHS AND LOWS FOR 1982

NEW HIGHS (29)	NEW LOWS (75)
USMC 941 1982 (Gm) 25.935	China 4.00 (Yuan)
USMC 941 1982 (Gm) 25.935	China 4.00 (Yuan)
USMC 941 1982 (Gm) 25.935	China 4.00 (Yuan)
USMC 941 1982 (Gm) 25.935	China 4.00 (Yuan)
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USMC 941 1982 (Gm) 25.935	China 4.00 (Yuan)

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CURRENCIES and MONEY

Late rise by £

Sterling eased during the morning, but improved in late London trading on hopes of a solution to the Falklands dispute.

Dollar fell on weaker Euro-dollar interest rates, despite Friday's money supply increase.

Danish kroner lost ground in the European Monetary System, but the weaker members such as the Belgian franc, Italian lira and Irish punt rose slightly.

STERLING — Trade-weighted index (Bank of England) 89.9 at noon and at the opening 89.9 at Friday's close, and 88.0 six months ago. Three-month interbank 13 1/2 per cent (16 7/8 per cent six months ago). Annual inflation 11 per cent (12 per cent previous month). The pound rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday. The pound rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

DOLLAR — Trade-weighted index 115.9 against 116.3 on Friday, and 108.2 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The dollar fell to DM 2.4155 from DM 2.4215, and touched a low point of 2.4100/2.4150 on Friday, and 2.4050/2.4100 on Thursday.

YEN — Trade-weighted index 124.9 against 124.9 on Friday, and 124.9 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The yen rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

MARK — Trade-weighted index 124.9 against 124.9 on Friday, and 124.9 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The mark rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

FRANK — Trade-weighted index 124.9 against 124.9 on Friday, and 124.9 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The frank rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

ITL — Trade-weighted index 124.9 against 124.9 on Friday, and 124.9 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The ITL rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

ESP — Trade-weighted index 124.9 against 124.9 on Friday, and 124.9 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The ESP rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

GBP — Trade-weighted index 124.9 against 124.9 on Friday, and 124.9 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The GBP rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

CHF — Trade-weighted index 124.9 against 124.9 on Friday, and 124.9 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The CHF rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

SEK — Trade-weighted index 124.9 against 124.9 on Friday, and 124.9 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The SEK rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

NOK — Trade-weighted index 124.9 against 124.9 on Friday, and 124.9 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The NOK rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

DKK — Trade-weighted index 124.9 against 124.9 on Friday, and 124.9 six months ago. Three-month Treasury bill 12.5 per cent (12.5 per cent previous month). Annual inflation 7.7 per cent (8.4 per cent previous month). The DKK rose 50 points to close at 175.55/176.00, and touched a low point of 175.00/175.50 on Friday, and 174.00/174.50 on Thursday.

THE POUND SPOT AND FORWARD

April 19	Day's spread	Close	One month	% Three months	% Six months
U.S.	1.7500-1.7500	1.7500-1.7500	0.25-0.30	2.00	2.00
Canada	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Norway	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Denmark	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Ireland	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
W. Ger.	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Portugal	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Spain	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Italy	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Norway	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Sweden	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Austria	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Switzerland	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75

THE DOLLAR SPOT AND FORWARD

April 19	Day's spread	Close	One month	% Three months	% Six months
U.S.	1.7500-1.7500	1.7500-1.7500	0.25-0.30	2.00	2.00
Canada	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Norway	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Denmark	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Ireland	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
W. Ger.	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Portugal	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Spain	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Italy	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Norway	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Sweden	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Austria	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75
Switzerland	1.2400-1.2400	1.2400-1.2400	0.10-0.15	0.75	0.75

CURRENCY MOVEMENTS

April 19	Bank of England	Morgan Guaranty	April 18	Bank of England	Morgan Guaranty
Sterling	89.9	89.9	Sterling	89.9	89.9
U.S. dollar	1.7500	1.7500	U.S. dollar	1.7500	1.7500
Canada	1.2400	1.2400	Canada	1.2400	1.2400
Norway	1.2400	1.2400	Norway	1.2400	1.2400
Denmark	1.2400	1.2400	Denmark	1.2400	1.2400
Ireland	1.2400	1.2400	Ireland	1.2400	1.2400
W. Ger.	1.2400	1.2400	W. Ger.	1.2400	1.2400
Portugal	1.2400	1.2400	Portugal	1.2400	1.2400
Spain	1.2400	1.2400	Spain	1.2400	1.2400
Italy	1.2400	1.2400	Italy	1.2400	1.2400
Norway	1.2400	1.2400	Norway	1.2400	1.2400
Sweden	1.2400	1.2400	Sweden	1.2400	1.2400
Austria	1.2400	1.2400	Austria	1.2400	1.2400
Switzerland	1.2400	1.2400	Switzerland	1.2400	1.2400

OTHER CURRENCIES

UNIT RATES		April 19		£	\$	U.S. Rate
change from 1974	Divergence limit %					
+1.15	-1.3540	Argentina Peso	20.490.000.000	1.650.000.000	1.650.000.000	87.50-90.00
+1.15	-1.3540	Australia Dollar	1.650.000.000	1.650.000.000	1.650.000.000	87.40-88.80
+1.15	-1.3540	Brazil Cruzeiro	1.650.000.000	1.650.000.000	1.650.000.000	101.25-103.10
+1.15	-1.3540	Canada Dollar	1.650.000.000	1.650.000.000	1.650.000.000	110.00-111.00
+1.15	-1.3540	France Franc	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Germany Mark	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Greek Drachma	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Hong Kong Dollar	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	India Rupee	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Indonesia Rupiah	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Japan Yen	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Kuwait Dirham	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Laos Kip	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Lebanon Pound	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Malaysia Ringgit	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	New Zealand Dollar	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Philippines Peso	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Saudi Arab. Riyal	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	South African Rand	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Swiss Franc	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	Taiwan Dollar	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	U.S. Dollar	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275
+1.15	-1.3540	U.K. Pound	1.650.000.000	1.650.000.000	1.650.000.000	4.230-4.275

EXCHANGE CROSS RATES

Item	Japan	Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc	Portuguese Escudo
1948	424.5	11.10	3,490	4,738	3248.	2,163	80.46		
1949	446.0	9.955	1,871	2,883	1389.	1,219	45.55		
1950	701.8	2,601	0,615	1,110	580.3	0,504	16.85		
1951	1000.	25.85	8,009	10.90	2405.	4,395	185.2		
1952	391.4	10	3,135	1	4,856	2116.	1,930	72.42	
1953	124.9	5.140	1	1,561	1	0.213	35.12		
1954	91.78	2,393	0,785	1	474.8	0,454	15.85		
1955	185.1	4,728	1,218	9,919	1000.	0,919	100.		
1956	301.3	15,997	1,217	2,801	1001.	7	37.58		
1957	800.1	6,190	4,386	5,889	2691.	2,670	100.		

OIL AND GAS—Continued

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Company borrowing rises sharply

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

COMPANY borrowing increased sharply to £4.6bn in the last three months of 1981. This brought total borrowing in the second half of the year to £5.8bn compared with repayments of £1.2bn in the first half, according to official figures released yesterday.

This big increase in borrowing partly reflects the impact of the civil servants' strike which deferred the collection of taxes.

However, the figures appear to show that companies' underlying borrowing requirement has increased substantially,

even though fixed investment had increased very little and the rebuilding of stocks had not begun.

A financial deficit of £479m for the company sector was recorded for the final quarter compared with a total surplus of £1.7bn in the first nine months of the year.

This no doubt reflected the fact that the rate at which companies were reducing stocks decelerated sharply from £3.2bn in the first half of last year to £730m in the second half. As a result less cash was freed from being tied up in stocks

during the second half than in the first half.

The figures show, rather surprisingly, that in spite of the cash squeeze in the second half of the year, companies continued to build up liquid financial assets by £2.6bn in the second half—about the same as in the first half.

In the final quarter of the year companies resorted heavily to the commercial bill market and this was reflected by total borrowing of £3.4bn from sources other than banks compared with £1.3bn the previous quarter. This increase may

have been a response to the Bank of England's operations in the bill market.

Bank borrowing remained at a high level of £2bn in the final quarter compared with £1.9bn the previous quarter. For the year as a whole bank borrowing was £4.26bn compared with £3.85bn the previous year.

The figures are greeted with some mystery because of the very large entry under "unidentified transactions" in the fourth quarter. This showed an outflow of £2.4bn from the company sector, the same as for the whole of last year.

Bright start for gold futures

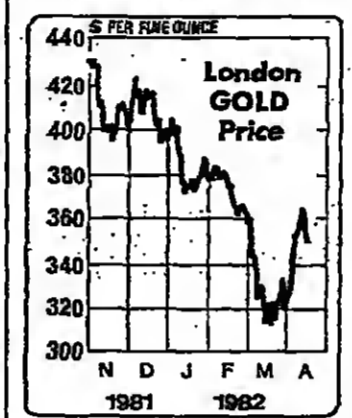
By John Edwards, Commodities Editor

GOLD futures trading in London made a promising start yesterday with a turnover of more than 2,300 lots of 100 troy each—a total "paper" value of about £40m.

The strong support for the new market—the first gold futures contract in European time zones—came in spite of a sharp fall in the price, normally a deterrent for speculators.

Apart from the main markets in New York and Chicago, other exchanges exist in Hong Kong, Singapore, Tokyo and Sydney.

Hopes of an early settlement of the Falklands Islands crisis brought a sudden decline in



late afternoon trading and the gold bullion spot price closed \$340 down at \$343 a troy ounce. On the London gold futures market, the August position (the first month traded) closed at \$204.5 a troy ounce after having traded at a high of \$211.75 in the morning.

The main interest yesterday was in the futures market, with physical gold trading very subdued in Europe. A holiday in Switzerland—normally one of the busiest European trading centres—meant the Zurich Gold Exchange was shut all day and the banks closed at noon.

The futures market, after fairly sedate trading in the morning, before the official opening by the Lord Mayor of London, sprang to life in the afternoon, the New York market having opened just before 3.30 pm. A flurry of activity pushed turnover past the 1,000 lots mark and intensified trading ensured a total of more than 2,000 lots by the final call at 4.40 pm.

There were remarkably few teething troubles, but there was still considerable opposition to trading in sterling, rather than dollars.

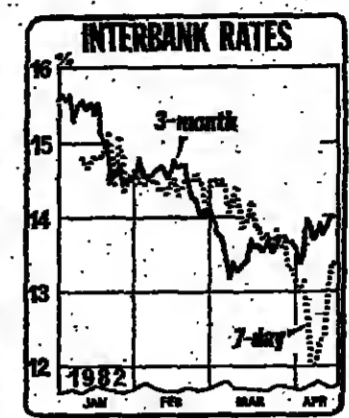
Although traders were well pleased with the first-day performance, it is acknowledged that the main test will come during the next few weeks when initial interest has died down.

The Falklands crisis has given a temporary boost to the market, but gold prices remain fundamentally depressed.

THE LEX COLUMN

The G.B. plays a waiting game

Index rose 7.4 to 558.1



The equity and gilt-edged markets were once again bounding up on Argentine advances yesterday afternoon. But even if this fragile optimism holds today, the April banking month ending tomorrow seems likely to have proved a barren period for government funding.

The markets have, of course, been extremely difficult, but the Government Broker has had in his portfolio, in the form of index-linked stock, an instrument that could have been designed for selling to bears.

But the preference for funding on rising prices clearly persists, and the authorities have not tried to force things; the patriotic expedient of a new tranche of War Loan (£25-paid) has so far been rejected. Besides, the two indexed issues on the G.B. books, the Bank has pledged not to supply the 1982 stock so long as it is standing at a discount to its tender price.

It is not just gilt-edged funding that will have been slack: National Savings sales seem to have plummeted since the withdrawal of the attractive 23rd issue on March 10th. Still, a one-month pause in funding is not disastrous, especially as tax collection seems to have continued well into April this year. But in banking May, as the Exchequer moves into deficit, the authorities will want to mop up the liquidity that has been building up during the Falklands crisis.

Progress in unwinding the liquidity squeeze in the money markets is very gradual—the Bank of England's holdings of commercial bills have fallen by roughly a tenth, to some £7bn, in the three weeks to April 13. The maturity of bills in the Bank is still throwing up daily shortages of £500m or so: one effect of the recent nervous markets has been to roll these sums over until the midsummer, since the Bank has been relieving the shortages by obligingly buying the discount houses' longest-dated paper.

The present structure of dealing rates gives the houses good running margins on their bill business, and the rise in rates was gradual enough to prevent catastrophic capital losses. The discount houses were holding £1m of gilt-edged at the end of banking March, and their shares have fallen some 8 per cent in the past month.

weather in December and January and reduced price competition, but the heavy spending on capital account has bumped up the depreciation charge by £1m and reduced interest receivable by £1.3m.

The company has been pushing hire purchase, sales aggressively, which tends to shift profits forward. It is finding some areas of diversification rather less straightforward than it originally hoped, and expansion of its micro-computer sales network is at a standstill for the moment. The company also seems to be taking a more cautious line on video rental: after all, the 1970s boom of fully depreciated TV sets remaining in service for year after year was a very exceptional. Nevertheless, cash outflow rental and on upgrading outlets will take Currys out of net cash this year to perhaps £20m of debt by 1984. The market seems confident that the expansion will bear fruit: the shares, down yesterday at 198p, produce a yield of 4.4 per cent.

Standard Chartered

Standard Chartered Bank's 1981 annual report gives few clues as to what Britain's largest offshore bank plans to do now that the UK Monopolies and Mergers Commission has vetoed its planned merger with the Royal Bank of Scotland.

However, the break-down of the profit and net worth contribution adds weight to the theory that Standard Chartered had more to lose from the failure of the merger plans than the Royal Bank.

Since the merger 12 years ago, the group has used the profitability of its mature banking businesses in Africa and the East to "provide shelter" under which we could grow new commercial banking operations in Europe and North America.

Unfortunately, as the report demonstrates, these new operations are still not producing the goods. It is the traditional businesses which continue to provide the bulk of the profits. North America and Europe, the two areas of greatest effort in recent times, now account for over two-thirds of shareholders' funds but less than a third of earnings.

As Lord Barber, the group's chairman, says in his statement, the task is to "translate the concept of a holding company into a fruitful collaboration of related financial institutions". The bank has a long way to go on this score.

Retail sales increased by 0.8% in March

By David Churchill and David Marsh

SPENDING in the shops rose last month to around the buoyant level of the New Year, according to government figures published yesterday. They indicate that retail activity is strengthening steadily despite depressed real incomes and only a sluggish general recovery from recession.

The Department of Trade reported that the volume of retail sales rose 0.8 per cent, seasonally adjusted, in March, compared with February, back to the level of January. This took the department's index of activity to 107 (1978 = 100).

Trade in the first three months of 1982 rose 1.2 per cent compared with the depressed fourth quarter of last year. It was about 1 per cent up from the average of last year. Retail activity, however, was only slightly higher than in the first quarter of last year. The figures are provisional and are likely to be revised.

Retailers said the improve-

Public sector pay bill 'faces real cut of 4%'

BY OUR ECONOMICS CORRESPONDENT

THE GOVERNMENT plans to cut the real value of the public sector pay bill by 4 per cent this year, according to calculations published yesterday by an all-party committee of MPs.

The calculations, made by the Treasury and Civil Service Committee, are based on the Government's figures and assumptions in the Public Expenditure White Paper published in March.

The committee's report on the latest spending plans criticises the Government for publishing only cash figures, which do not allow ready comparisons between spending in real terms from one year to the next.

The committee has, therefore, applied the Government's inflation assumptions to the Budget spending figures to show what the plans represent at constant prices from year to year.

It found that the total public sector pay bill, expressed in constant (1979-79) prices, rose by about 1 per cent in 1981-82, over the previous financial year, but is expected to fall by 4 per

cent in the current financial year.

Current spending, other than pay, is expected to rise in "real terms" by nearly 4 per cent this year (1982-83) over last year, while general Government capital expenditure is planned to remain at about the same real level as in 1981-82. Nationalised industry borrowing is scheduled to fall by 60 per cent in real terms, while its investment is expected to rise by 10 per cent in real terms funded by improved income.

The committee shows that the only programmes planned to increase spending in real terms this year are defence (up 3.3 per cent); overseas aid (up 20.3 per cent); law and order (up 1.5 per cent); social security (up 3.7 per cent); after an increase of 10 per cent last year; and Northern Ireland (up 0.2 per cent).

The committee estimates that total public expenditure in real (or cost) terms is expected to rise by 0.8 per cent this year over last but to fall by about 1.4 per cent next year (1983-84).

It also showed that in 1976-77 cost terms fixed investment by the Government was halved, from £6.4bn in 1976-77 to an estimated £3bn in 1981-82. Next year, a further fall of about 1 per cent to about £2.95bn was projected.

The Treasury had assumed a rise of only 4 per cent in public sector pay this year when it converted the old "volume plans" for public expenditure to the new cash figures. The volume figures, given in constant prices, were meant to express the purchasing power of money for each programme, in terms of items such as schools, hospitals and employees in the public sector. The new plans show only the cash which is available to be spent on programmes.

The committee says the Government should in future publish figures indicating the planned volume of spending alongside the cash figures. It would also like more information on the services actually obtained by the public rather than by the cost of providing it.

IMF cuts off quarter of loans

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE International Monetary Fund has cut off more than a quarter of the \$18.4bn (£10.7bn) worth of loans it was due to make this year, officials said here yesterday. The main reason is that borrowing countries have failed to meet economic performance targets which had been agreed with the Fund as conditions for the drawings.

Leading the list of countries involved are Romania, Zaire, and Morocco. Others on the list are reported to include Bangladesh, Zambia, Costa Rica, Tanzania, Guyana, Madagascar, Senegal, Togo, Uganda, Honduras, the Solomon Islands, and Grenada.

The Fund does not, however,

regard the situation as dramatic or alarming. With overall borrowing having increased rapidly over the past 12 months, the number of cut-offs had been expected to increase.

Worldwide recession is the principal cause of the failure to meet the so-called "performance criteria." But the length of the list may also reflect stricter enforcement of the lending conditions by the Fund, following complaints from the U.S. that it had been too lax.

Developing countries have frequently criticised the fund for being too strict and have complained that it is dominated by rich Western governments. Officials point out, however, that the performance criteria

agreed after negotiations with the borrower, are hard and fast rules which oblige the fund to cut off loans automatically if the conditions are not met.

Some of the failure to reach performance targets may only be temporary and not constitute grounds for immediate concern.

In other cases, governments may have decided not to follow austere conditions set by the Fund, for fear of the political consequences.

Countries whose loans are cut off have three choices. They can either apply to the fund for a waiver, they can renegotiate the original borrowing agreement—or they can wait until their economy improves.

EEC budget tilts in UK's favour

BY JOHN WYLES IN BRUSSELS AND STEPHANIE GRAY IN LONDON

BRITAIN last year received more from the European Community budget than it contributed. This is the first time that the UK has gained a net cash benefit from membership since it joined the EEC in 1973.

New figures produced by the European Commission show that the surplus was worth only about £18m.

There are, however, signs that the revised figures will be used by other EEC countries to support arguments that the scale of the British budget problem is shrinking and that this ought to encourage a more compromising British approach in negotiations on a new budget deal, due to start in Luxembourg next Tuesday.

Several member states are also anxious to capitalise as quickly as possible on the solidarity with Britain which the other Nine have demonstrated by banking imports from Argentina. There is a strong

feeling in Brussels that this evidence—that there is more to EEC membership than a budget balance—ought to encourage the UK to view the budget debate in a new light.

Whitehall officials in London yesterday, however, gave a warning that Britain will resist any pressure for a softer line on budget contributions as a quid pro quo for the support the Community has given on the Falkland crisis. The EEC has banned trade with Argentina valued at £1.9bn a year.

Speaking after the first meeting yesterday between M. Gaston Thorn, President of the EEC Commission, and Mr. Francis Pym, the UK Foreign Secretary, officials said they could foresee no softening of the British line on the contributions.

During the meeting, Mr. Pym welcomed the Community's support over the Falklands and said he would be working for a solution "on a clear and equitable basis in the shortest possible time."

Officials said later that budget problems and the Falkland crisis were two separate issues. They said a settlement of the crisis was as much in the EEC's interest as Britain's.

Two factors helped make the UK a net beneficiary from the budget last year. The first was a rebate of 1.4bn European Currency Units (£761m) fixed under a 1980 agreement limiting British contributions. This more than offset a net contribution to Brussels (payments minus receipts) of ECU 1.376bn.

This contribution was nearly ECU 800m less than predicted in May 1980 because EEC farm spending has grown less quickly than expected.

Spending on non-farm policies has accelerated at a quicker rate and this has boosted the UK's share of Community payments from 10.8 per cent in 1980 to 12.6 per cent last year.

EEC Farm Ministers seek compromise, Page 35

Weather

UK TODAY

MAINLY dry and sunny. Rain in the north.

London, Central W. England, Midlands, Channel Isles, Wales Early mist, dry and sunny later. Windy. Max 16C (61F). S.E., E., N.E., England, E. Anglia.

Dry, sunny. Max 15C (59F). Cooler on the coasts. Max 10C (50F).

Low Disturb. Isle of Man, Borders, Scotland, N. Ireland. Outbreaks of rain, drier later. Max 13C (55F).

Orkney, Shetland.

Rain, becoming drier. Strong winds. Max 9C (48F).

Outlook: Mainly dry and sunny.

WORLDWIDE

	Y day	T day	Y day	T day
	F	C	F	C
Algeria	17	63	18	61
Amman	17	63	18	61
Ankara	17	63	18	61
Athens	17	63	18	61
Bahia	17	63	18	61
Batavia	17	63	18	61
Bombay	17	63	18	61
Buenos Aires	17	63	18	61
Calcutta	17	63	18	61
Cairo	17	63	18	61
Cardiff	17	63	18	61
Chennai	17	63	18	61
Cebu	17	63	18	61
Dhaka	17	63	18	61
Dublin	17	63	18	61
Edinburgh	17	63	18	61
Hankow	17	63	18	61
Hong Kong	17	63	18	61
Imbabura	17	63	18	61
Jersey	17	63	18	61
Joazeiro	17	63	18	61
Kuala Lumpur	17	63	18	61
London	17	63	18	61
Lyons	17	63	18	61
Manila	17	63	18	61
Mexico City	17	63	18	61
Moscow	17	63	18	61
Mumbai	17	63	18	61
Nairobi	17	63	18	61
Paris	17	63	18	61
Rangoon	17	63	18	61
Rio de Janeiro	17	63	18	61
Rome	17	63	18	61
Sao Paulo	17	63	18	61
Seoul	17	63	18	61
Singapore	17	63	18	61
Sofia	17	63	18	61
Taipei	17	63	18	61
Tokyo	17	63	18	61
Toronto	17	63	18	61
Ulaanbaatar	17	63	18	61
Warsaw	17	63	18	61
Wellington	17	63	18	61
Yokohama	17	63	18	61

bank leumi (uk) plc

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A Year of Expansion in the Bank's Operations

Highlights from the Statement of the Chairman, Mr. E. I. Japhet KBE, at the Bank's Annual General Meeting

- * 1981 saw further growth in the bank's business. Total assets reached £238.8m. Final dividend will be 7.00p per share making a total for the year of 10.15p (1980-10.15p).
- * There was continued growth and improvement in banking operations. A new branch was opened in Edgware, Middlesex; the Golders Green Branch was doubled in size and new on-line computer facilities were installed in the branches.
- * Despite the recessionary business climate, a satisfactory increase was recorded in customer deposits, lending and trade services. The bank's involvement in the small business sector was enhanced by its inclusion in the Government's Loan Guarantee Scheme. The bank plays an important role in British-Israel trade, and during the year also assisted in the financing of exports of various capital goods between the two countries.
- * To promote further expansion of its business the bank is raising £2.5m by way of a Rights Issue at 170p per share.

Branches in the West End, the City, Edgware, Golders Green, and Gants Hill, Ilford.

UNITED KINGDOM SUBSIDIARY OF

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ISRAEL'S LARGEST BANKING GROUP

Continued from Page 1

Argentines plan

breakthrough of sorts had been reached.

However, they stressed that much still depended on the reactions of Mrs Thatcher, and the attitudes of some Argentine military officers who until now are known to have wanted an explicit recognition of Argentine sovereignty at this stage.

There were indications yesterday of a new spirit of flexibility within the military junta, following a crucial meeting late on Sunday between Gen Galtieri and the country's leading generals to seek wider endorsement of Argentina's bargaining position.

Brig-Gen Basilio Lami Dozo, the Air Force commander, told reporters in the morning that

U.S. and Argentine officials "were close to finalising an agreement."

Gen Lami Dozo also indicated that further negotiations would be abruptly halted if and when the British fleet reached the Falkland Islands.

Naval sources warned that any attempt by Britain to raise the military stakes by imposing an aerial blockade on the 200-mile zone round the Falklands would be considered an act of war.

After talking until 2 am on Sunday night, weary Mr Haig returned to the Presidential Palace and another session with Gen Galtieri yesterday morning.

The meeting lasted a relatively brief three hours.

Continued from Page 1

Britain cautious

any administration for the islands. This view was backed by the Tribune group at its meeting last night. About 34 Labour MPs have called for a special meeting of the Parliamentary Labour Party to discuss the issue.

A sizeable group of Tory MPs made it clear, however, that they would oppose any deal which put sovereignty into abeyance under the UN, or any compromise not involving total and unconditional withdrawal by the Argentine forces.

● Sterling rallied late yesterday as the European foreign exchanges once again reacted to hopes of a settlement over the Falklands.

The pound closed at \$1.7660, up 0.50 cents from Friday, although its trade weighted index finished at 89.9 compared with 90.3. The stock market also turned in a late recovery, with the FT 30 share index rising 7.4 points to 558.1.

The London money market was hit by fresh shortages of funds, and the Bank of England had to buy more than £400m of bills to inject liquidity. Interest rates firmed early on but fell towards the close on optimism about a diplomatic breakthrough in Buenos Aires. Three month interbank rates traded at over 14 per cent for most of the day but fell to 13½ per cent by the close, against Friday's 14 per cent.